

U.S. MARKETS

U.S. Stocks Slip as Trade War Weighs on Chinese Exports

Trade remains major concern for investors; new U.S. tariffs poised to go into effect on imports from China

By Paul J. Davies and Paul Vigna

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U.S. stocks fell Monday after economic data showed a sharp decline in Chinese exports to the U.S., demonstrating the impact of the trade war between the world's two largest economies.

The Dow Jones Industrial Average lost 105.46 points, or 0.4%, to 27909.60. The S&P 500 dropped 9.95 points, or 0.3%, to 3135.96, while the Nasdaq Composite slid 34.70 points, or 0.4%, to 8621.83.

The declines opened what some analysts said could prove to be a pivotal week for markets. Friday's jobs report eased concerns about the strength of the economy, but this week's calendar includes updates on trade, politics and central-bank policy around the world that could shift the direction of asset prices.

"What happens this week decides what goes on from here," said Bethel Loh, a strategist at ThinkMarkets.

Trade policy remained a major concern for investors after data Sunday showed China's exports unexpectedly dropped 1.1% in November from a year earlier, while shipments to the U.S. fell 23%, according to China's General Administration of Customs. Uncertainty about the trade talks between the two nations has weighed on global trade and the economic outlook for much of this year and made investors jittery.

With a new round of tariffs poised to go into effect Sunday on imports from China, a commerce-ministry official said Monday that China hopes trade negotiations with the U.S. will result in a satisfactory outcome as soon as possible. Some analysts expect President Trump to delay imposing new tariffs while negotiators are pursuing a deal. Larry Kudlow, a top economic adviser to Mr. Trump, said Friday that there were "no arbitrary deadlines" to complete a limited trade deal.

"Avoiding a total breakdown remains the most important outcome for investors," said Geoffrey Yu, head of the U.K. investment office at UBS Wealth Management. "Expectations are somewhat



Workers are busy at a toy factory in Tianchang in eastern China. PHOTO: SONG WEIXING/SIPA ASIA/ZUMA PRESS

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The Federal Reserve and European Central Bank are holding meetings this week. Major changes in Fed policy aren't expected. Investors are watching to see how ECB President Christine Lagarde sets the tone in her first meeting.

Politics could also move markets. Congress continues its impeachment inquiry into Mr. Trump. In the U.K., Britain prepares to vote in Thursday's crucial general election, which will set the country's course for how or whether it leaves the European Union. Polls suggest the ruling Conservative Party is set to win, though a recent narrowing of the lead is enough to keep the outcome uncertain. The FTSE 100 index dropped 0.1%. The pound rose 0.1% to \$1.315, its highest since April .

U.S. crude oil fell 18 cents, or 0.3%, to \$59.02 a barrel. The yield on the 10-year Treasury note slipped to 1.829%, according to Tradeweb, from 1.842% on Friday.

On Monday, the Fed injected an additional \$81.4 billion in short-term liquidity to financial markets, continuing a program it began in mid-September when the overnight-lending market, or repo market, began to see unexpectedly high rates.

While the Fed's actions have brought the market in line, it hasn't fixed it, and the problems show traders are still concerned with all of the same issues they were at the beginning of the year, analysts said.

Shares of Merck & Co. fell 13 cents, or 0.1%, to \$88.72 after the pharmaceuticals company agreed to acquire ArQule for \$2.7 billion. ArQule shares rose \$10.04, or 104%, to \$19.70.

Netflix shares fell \$4.85, or 1.6%, to \$302.50. after the streaming company dominated the Golden Globes awards nominations with 17, more than double the top-nominated studio, Sony Pictures.

The Stoxx Europe 600 ticked down 0.2%. Tullow Oil was the biggest loser on Monday. The stock dropped 72% after the energy company cut production forecasts and its chief executive resigned, effective immediately.

The Nikkei Stock Average rose 0.3% after data showed the Japanese economy grew faster than expected in the third quarter. Gross domestic product expanded by an annualized 1.8% in the three months ended Sept. 30, surpassing a preliminary official estimate of 0.2%.

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