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U.S. MARKETS

U.S. Stocks Turn Positive After Fed Comments

Corporate results have shown companies on uneven footing; Netflix falls 10%

By Lauren Almeida and Akane Otani

Updated July 18, 2019 6:34 pm ET

U.S. stocks rose, erasing earlier declines, after a Federal Reserve official said central banks must lower interest rates swiftly on signs of economic weakening.

Stocks drifted lower for much of the trading day, then got a lift after John Williams, president of the Federal Reserve Bank of New York, said, “it pays to act quickly to lower rates at the first sign of economic distress.”

The comments from Mr. Williams, who is vice chairman of the Fed’s rate-setting Federal Open Market Committee, jolted markets, sending Treasury yields and the dollar to session lows.

The two have recently drifted lower while stocks have climbed to records as investors have bet that the Fed later this month will make its first interest-rate cut since the end of the financial crisis.

Mr. Williams didn’t comment on the near-term outlook for U.S. monetary or economic policy. But his remarks sent market expectations for a half-percentage-point rate cut higher, with federal-funds futures showing a 71% probability of such a cut in July—the highest in 2019, according to CME Group. Mr. Williams didn’t intend to suggest Thursday that the central bank might make a large interest rate cut this month, a spokesman said later Thursday

The Dow Jones Industrial Average rose 3.12 points, or less than 0.1%, to 27222.97. The S&P 500 gained 10.69 points, or 0.4%, to 2995.11 and the Nasdaq Composite added 22.04 points, or 0.3%, to 8207.24.

Earlier, corporate earnings drove swings in an otherwise quiet trading day.

Netflix shed \$37.23, or 10%, to \$325.21 after the video-streaming company said late Wednesday that the number of subscribers in the U.S. declined for the first time in nearly a decade.

Equipment-rental company United Rentals lost \$10.38, or 7.9%, to \$121.11 after narrowing its full-year revenue outlook.

Other stocks fared better, with eBay rising 74 cents, or 1.9%, to \$39.77 after the online marketplace raised its profit outlook and notched better-than-expected quarterly results.

Elsewhere, the Stoxx Europe 600 fell 0.2%, weighed down by declines among shares of technology and oil-and-gas companies.

While the European economy is doing well, “it’s more about downside risk coming from trade wars combined with the everlasting Brexit risk,” said Jorge Garyao, global head of inflation strategy at Société Générale.

The trade tensions that are focused on U.S.-China “could easily move into the eurozone,” he said.

In Asia, the Shanghai Composite Index fell 1%, notching its third straight session of decline.

Progress toward a trade deal has stalled while the Trump administration determines how to address Beijing’s demands that it eases restrictions on Huawei Technologies, people familiar with the talks told The Wall Street Journal.

Republican senators also plan to introduce a bill that would restrict Huawei from buying and selling U.S. patents, according to draft text reviewed by The Wall Street Journal.

“Markets don’t seem to be taking the comments on trade tensions very well,” said Fritz Louw, a currency analyst for Mitsubishi UFJ Financial Group.

Japan’s Nikkei Stock Average fell 2%, posting its biggest one-day decline since March, after data showed exports tumbled for the seventh straight month in June because of a sharp drop in shipments of chip-making tools and automobile parts to China.

—*Anna Isaac and Caitlin Ostroff contributed to this article.*

Corrections & Amplifications

Procter & Gamble is set to report earnings later in July. An earlier version of this article incorrectly stated the company was set to report earnings Thursday. (July 18, 2019)

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