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STOCKS & BONDS
Business/Financial Desk; SECTB

Record Run Snapped, S.&P. Says Good Riddance to February

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U.S. stocks sank again on Wednesday and cemented February as the worst month for the market in two years.

Not only was the month's loss sharp, at 3.9 percent for the **Standard & Poor**'**s500 index**, it was also the first in a long time. **S&P 500 index** funds snapped a record-setting run where they had made money for 15 straight months, including dividends.

Some of Wednesday's drop was due to a slide in the price of oil, which sent energy stocks to the market's sharpest losses. The **S&P 500** fell 30.45 points, or 1.1 percent, to 2,713.83, while the **Dow Jonesindustrial average** lost 380.83, or 1.5 percent, to 25,029.20 and the **Nasdaq composite** dropped 57.35, or 0.8 percent, to 7,273.01.

The dominant fear for the month was the threat of higher inflation and interest rates. Concerns got so high that the **S&P 500** spiraled down 10 percent in just nine days at one point, before trimming some of its losses. The index had five losses of 1 percent or more in February, more than it did in all of last year.

Expect even more swings in coming weeks and months, said Brian Peery, portfolio manager at Hennessy Funds. Investors are trying to figure out how many times the Federal Reserve will raise interest rates this year in the face of a growing economy. Uncertainty is high given that markets are waiting to see how much Washington's recently passed tax cuts will push companies to spend on equipment and wages.

"We were without **volatility** for so long, but what's in motion tends to stay in motion," Peery said. "It's been a pretty tumultuous month."

The tumult started just as the month began, when a government report showed a jump in workers' wages that surprised economists. That triggered worries that higher inflation may be on the way and that the Federal Reserve would need to get more aggressive about raising rates as a result. Higher rates make bonds more attractive as investments and can divert buyers away from stocks.

The dizzying result marked a sharp turnaround from the market's blistering start to the year, when stocks jumped on expectations that corporate profits would keep rising and the global economy would keep strengthening. It was a continuation of the remarkably smooth rise that investors enjoyed in 2017.

On Wednesday, the yield on the **10**-**year Treasury** fell to 2.86 percent from 2.90 percent late Tuesday.

The benchmark yield relinquished roughly all of its increase from the prior day, when comments from Fed Chairman Jerome Powell once again raised speculation of a more aggressive Fed. He told Congress that he's more optimistic about the economy, which led some investors to anticipate four rate increases for 2018, up from three last year.

Among the biggest losers on Wednesday in the **S&P 500** was Lowe's, which reported weaker profit for the last quarter than analysts expected. The home-improvement retailer's stock dropped $6.20, or 6.5 percent, to $89.59.

Energy stocks in the **S&P 500** lost 2.3 percent for the sharpest drop among the 11 sectors that make up the index. They were hurt by a sharp drop in the price of oil after a government report showed that the amount of oil in U.S. inventories rose more than analysts expected last week.

Benchmark U.S. crude lost $1.37 to settle at $61.64 per barrel. Brent crude, the international standard, fell 85 cents to $65.78 per barrel.

On the winning side was Booking Holdings, the company formerly known as Priceline. It jumped $129.03, or 6.8 percent, to $2,034.04 after it reported a bigger profit for the latest quarter than analysts expected, aided by stronger travel bookings.

Overseas stock markets were subdued. In Europe, France's CAC 40 fell 0.4 percent, and Germany's DAX lost 0.4 percent. The FTSE 100 in London was down 0.7 percent.

In Asia, Japan's Nikkei 225 tumbled 1.4 percent, South Korea's Kospi lost 1.2 percent and the Hang Seng in Hong Kong lost 1.4 percent.

The dollar dipped to 106.66 Japanese yen from 107.42 yen late Tuesday. The euro fell to $1.2203 from $1.2236, and the British pound slipped to $1.3771 from $1.3916.

In the commodities markets, natural gas sank 2 cents to $2.67 per 1,000 cubic feet, heating oil lost 5 cents to $1.92 per gallon and wholesale gasoline fell 5 cents to $1.76 per gallon.

Gold slipped 70 cents to $1,317.90 per ounce, silver lost 3 cents to $16.41 per ounce and copper dropped 5 cents to $3.13 per pound.

This is a more complete version of the story than the one that appeared in print.

CHARTS: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Wednesday. (Source: Reuters); Real Economic Growth: Annual rate of change in the gross domestic product, based on quarterly figures adjusted for inflation and seasonal fluctuations. (Source: Commerce Department)

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Markets End Rocky Quarter With a Bang

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Technology companies powered stocks to solid gains Thursday, snapping the market's two-day losing streak in the United States.

Banks, consumer-focused companies and industrial stocks also helped lift the market. Even so, the broad gains, which came on the last day of trading ahead of the Easter holiday weekend, were not enough to make up for the **stock market**'s first quarterly loss since 2015.

After years of slow-and-steady growth and a roaring start to 2018, the market plunged in early February, marking its first 10 percent drop in two years. In the weeks since, the market has been more **volatile** and trading has frequently turned choppy.

"The **equity market** is ending the week and the quarter on a positive note, and that's following a quarter that's been **volatile** and uniformly lackluster," said Terry Sandven, chief equity strategist at U.S. Bank Wealth Management. "We still look for positive trends as we now move into the second quarter, but we think the pace at which equities move will still be muted."

The **Standard & Poor's 500**-**stockindex** rose 35.87 points, or 1.4 percent, to 2,640.87. The **Dow Jonesindustrial average** gained 254.69 points, or 1.1 percent, to 24,103.11. The blue chip average was briefly up 465 points. The **Nasdaq** added 114.22 points, or 1.6 percent, to 7,063.45. The Russell 2000 index of smaller-company stocks picked up 16.40 points, or 1.1 percent, to 1,529.43.

The Dow is down 2.5 percent for the year, while the **S**.**&P**. **500** is off 1.2 percent. The **Nasdaq** is holding to a 2.3 percent gain.

The major indexes were headed higher from the start of trading Thursday as investors sized up several company earnings reports and new government data showing that spending by American consumers rose 0.2 percent in February, while their incomes increased 4.4 percent. The healthy income gains could spur more spending in the coming months.

Technology stocks, which were big decliners earlier in the week, powered much of the market's climb Thursday.

Facebook was among the gainers, its shares adding 4.4 percent. The social media giant, which has taken a beating in recent days over privacy concerns, rose $6.76 percent, to $159.79.

Even with the roller-coaster ride that technology stocks have been on lately, the sector is up 3.2 percent this year, while most other sectors are in the red.

Shares in several companies that reported improved quarterly earnings or outlooks got a boost.

PVH, which owns Calvin Klein and Tommy Hilfiger, climbed $7.41, or 5.1 percent, to $151.43, while beverage maker Constellation Brands rose $7.43, or 3.4 percent, to $222.92.

The fallout from the heightened scrutiny on how social media portals use consumers' personal data weighed on Acxiom shares. The marketing data firm's stock tumbled 19 percent, to $22.71, after it disclosed that Facebook would cease using third-party data providers like Acxiom over the next several months.

Bond prices rose. The yield on the **10**-**year Treasury** fell to 2.74 percent from 2.78 percent late Wednesday.

Benchmark United States crude rose 56 cents to $64.94 a barrel on the New York Mercantile Exchange.

The dollar fell to 106.50 yen from 106.88 yen on Wednesday. The euro rose to $1.2304 from $1.2299.

Gold fell $1.40 to $1,322.80 an ounce. Silver rose 2 cents to $16.27 an ounce. Copper added 2 cents to $3.03 a pound.

United States stock markets will be closed for Good Friday.

CHART: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Thursday. (Source: Reuters)

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Business/Financial Desk; SECTB
As Trade War Questions Linger, Markets Move Higher, for the Moment

By THE ASSOCIATED PRESS
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4
English

Stocks shook off morning losses on Monday and surged in the afternoon to send the **Standard & Poor's 500-stockindex** to its best day in a week. It is the latest turn for a market suddenly prone to quick shifts not only day to day but also hour to hour, as investors question whether President Donald Trump will really risk a trade war.

The **S.&P. 500** lost as much as 0.6 percent shortly after trading began, only to finish the day 1.1 percent higher after rising 29.69 points to 2,720.94. It's reminiscent of what happened Friday, when stocks reversed course on speculation that Trump was only making an opening bid when he promised to impose stiff tariffs on imported steel and aluminum, rather than a final offer.

The **Dow Jonesindustrial average** jumped 336.70, or 1.4 percent, to 24,874.76, and the **Nasdaq composite** gained 72.84, or 1 percent, to 7,330.70. Both came back from early-morning losses.

Trump took to Twitter again on Monday to defend the tariffs, which have riled trading partners around the world and already sparked talk of retaliation.

Later in the day, House Speaker Paul Ryan said that he is "extremely worried" about the consequences of a global trade war and urged the White House "to not advance with this plan," according to a statement issued by his office.

"It's incredibly difficult to try to understand the whims of this current administration and to try to make forecasts," said Emily Roland, head of capital markets research for John Hancock Investments.

"But right now, we think the impact should continue to be modest, as long as it's all talk and no action," she said.

Boeing offered a good example of how quickly the market shifted. The aerospace giant got the majority of its revenue from outside the United States last year, so it would be hurt if countries put up more barriers to global trade. Boeing was down as much as 2.3 percent in the morning before ending the day up 2.3 percent.

From its low point of the day to its high, the **S.&P. 500** carried investors through a swing of 1.9 percentage points. It is the fifth straight day with a gap of more than 1.5 percentage points, as trading has become much more wild since the market's placid, record-setting run from 2017 into January. During that period, the typical day saw the **S.&P. 500** drift just 0.5 percentage points from its low point to high.

The biggest gain in the **S.&P. 500** came from XL Group, which surged after AXA said that it will acquire the insurance and reinsurance company for $15.3 billion. Investors will get $57.60 per XL Group share, and XL Group stock surged $12.62, or 29.1 percent, to $55.92.

Besides tariffs, investors are also keying in on the upcoming jobs report that's looming at the end of the week.

It was last month's jobs report that raised the specter of higher inflation and jolted the **stock market** from its peaceful rise.

The yield on the **10-year Treasury** rose to 2.88 percent on Monday from 2.87 percent late Friday.

In the commodities markets, benchmark Unitd States crude rose $1.32 to settle at $62.57 per barrel.

Gold fell $3.00 to settle at $1,318.10 per ounce.

The dollar rose to 106.20 Japanese yen from 105.54 yen late Friday. The euro dipped to $1.2338 from $1.2329, and the British pound climbed to $1.3833 from $1.3790.

This is a more complete version of the story than the one that appeared in print.

CHART: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Monday. (Source: Reuters)

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Markets Dive After Trump Promises Steel Tariffs

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Stocks in the United States dove in another dizzying day of trading after President Trump promised on Thursday to deliver stiff tariffs on imported steel and aluminum, which raised the threat of escalating retaliation by other countries and higher inflation. The **Standard & Poor**'**s 500**-**stockindex** erased nearly all of its gains for the year.

Indexes had been bouncing between modest gains and losses earlier in the day, until Mr. Trump told industry executives around midday that they'll ''have protection for the first time in a long while'' and that he is planning to impose tariffs of 25 percent on steel imports and 10 percent on aluminum imports next week.

''I don't know if this will cause a trade war, and obviously that's the fear,'' said Lamar Villere, portfolio manager at Villere & Co. ''But this is exactly what candidate Trump said he would do: He said he would be very protectionist and 'America First.'''

The **S**.**&P**. **500** tumbled 36.16 points, or 1.3 percent, to 2,677.67. The index is now up just 0.2 percent for the year after having its best January in 20 years. The **Dow Jonesindustrial average** dropped 420.22 points, or 1.7 percent, to 24,608.98, and the **Nasdaq** fell 92.45, or 1.3 percent, to 7,180.56.

European Commission President Jean-Claude Juncker said the European Union warned of retaliatory action. He vowed that ''the E.U. will react firmly and commensurately to defend our interests.''

Shares of American steelmakers surged on the tariff news. U.S. Steel rose $2.50, or 5.7 percent, to $46.01. But shares of companies that use lots of steel fell, as did exporters.

Industrial companies in the **S**.**&P**. **500** fell 1.9 percent for the sharpest loss among the 11 sectors that make up the index. Aerospace giant Boeing lost $12.52, or 3.5 percent, to $349.69.

Bond prices rose as demand jumped for safer investments, which pushed yields lower. The yield on the **10**-**year Treasury** note sank to 2.81 percent from 2.86 percent late Wednesday.

Oil prices continue to drop following a report on Wednesday that showed more crude supplies in inventories last week than analysts expected. Benchmark United States crude fell 65 cents to settle at $60.99 per barrel.

Gold dropped $12.60 to $1,302.90 an ounce.

The dollar dipped to 106.24 from 106.66 yen late Wednesday. The euro rose to $1.2261 from $1.2199, and the British pound slipped to $1.3768 from $1.3771.

CHART: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Thursday. (Source: Reuters)

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The New York Times

Business/Financial Desk; SECTB
Wall St. Closes Lower, as a U.S.-China Trade War Looms

By JACK EWING and ALEXANDRA STEVENSON; Jack Ewing reported from Frankfurt, and Alexandra Stevenson from Hong Kong. Cao Li contributed research from Hong Kong.
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Stocks on Wall Street closed lower on Friday, ending the worst week for the **Standard & Poor's 500-stockindex** in two years, as investors weighed a brewing trade war between China and the United States that could hobble an otherwise healthy global economy.

Markets in New York tumbled through the afternoon. The **Standard & Poor's 500-stockindex** closed 2 percent lower, and the **Dow Jonesindustrial average** lost about 1.8 percent. The **Nasdaq composite** -- hurt by falling share prices in a number of technology companies -- lost about 2.4 percent.

Fears of a trade war -- fueled by tariffs announced by President Trump and in Beijing -- caused markets worldwide to shudder.

Benchmark indexes in London, Paris and Frankfurt closed lower on Friday. Losses in Asia were much greater. In Tokyo, major exporters like Toyota and Sony helped to lead a 4.5 percent drop in the key index. Shares in Shanghai closed down 3.4 percent. South Korean stocks fell 3.2 percent.

Oil futures jumped more than 5 percent, the biggest gain in eight months.

Overall, the S.&P. fell 6 percent over the week.

''Investors are rattled about the economic and inflation impacts of tariffs and a potential trade war,'' said Greg McBride, chief financial analyst at Bankrate.com. ''This nine-year **bull market** has been sustained by a growing economy in a low inflation, low interest rate world. Now those conditions are called into question.''

Traders in particular have focused on the risks to the global economy from tit-for-tat restrictions announced by the United States and China, along with increasingly protectionist moves by Washington elsewhere, as well -- the United States has brought in tariffs on steel and aluminum, albeit with exemptions for key allies, and marginalized the World Trade Organization.

''This can turn ugly on a global scale very quickly,'' Robert Carnell, chief economist for the Dutch financial services group ING Asia, wrote in a note to clients.

Europeans, in particular, took only small comfort from the Trump administration's decision to exempt the European Union from the steel and aluminum tariffs. Business managers and political leaders fear that Europe could be caught in the crossfire of a trade war between two economic superpowers.

The United States is Europe's largest trading partner, but European countries also have deep ties with China, which is one of the largest buyers of European cars and machinery, and a major source of investment in Europe. Shares of the German automakers BMW, Daimler and Volkswagen all declined Friday morning, reflecting the importance of the Chinese market to their sales.

And by securing an exemption from the tariffs, Europe could be perceived as taking sides with the United States against China, said Gabriel Felbermayr, an economist at the Ifo Institute, a research organization in Munich.

''Instead of a trade war with the United States, Europe now faces the threat of a trade war with China,'' Mr. Felbermayr said in a statement.

Deutsche Bank provided an example of how uncertainty caused by the Trump administration measures could cause chain reactions that would affect other industries.

On Thursday, Deutsche Bank sold shares in its DWS Asset Management unit on the stock exchange. But on Friday, declines in global stocks pulled DWS shares below the initial public offering price. Shares of Deutsche Bank, which retained an 80 percent stake in DWS, then fell more than 4 percent before recovering slightly.

Markets in the United States fell on Thursday, as Mr. Trump announced $60 billion worth of annual tariffs on Chinese imports. That appeared to be the opening salvo of a trade war, as Beijing announced its own retaliatory tariffs on more than 100 items, including American pork and wine.

The trade measures against China were the latest demonstration of Mr. Trump's ''America First'' agenda, and they were announced a day before tariffs on global steel and aluminum imports were to come into force.

For Europeans, the reprieve announced by the Trump administration from the protectionist measures could be brief.

The exemptions will expire on May 1 unless the allies are able to negotiate ''satisfactory alternative means'' to address what the administration calls the threat to national security resulting from the United States' current levels of steel and aluminum imports. The exempted group also includes Canada, Mexico, Australia, Argentina, Brazil and South Korea.

In addition, the White House said it might impose import quotas to prevent too much foreign metal from flooding into the United States.

Tensions escalated on Friday as Beijing responded to Washington with its own tariffs and a warning to ''avoid damage to the broader picture of Chinese-U.S. cooperation.''

Some American businesses in China also voiced concern. ''Our members do not want to see a trade war,'' said Kenneth Jarrett, the president of the American Chamber of Commerce in Shanghai. ''The stakes are too high and there would be no winner.''

But he added that American businesses in China wanted ''fairer treatment and improved market access in China. The Chinese government has the ability to deliver against that reasonable expectation.''

Follow Jack Ewing and Alexandra Stevenson on Twitter: @JackEwingNYT and @jotted.

CHART: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Friday. (Source: Reuters)

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Markets End Mostly Lower After Choppy Day

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Stocks finished mostly lower Thursday in another choppy day of trading after a midday rally faded. Industrial and tech companies rose, but smaller companies and chemical makers skidded.

Without any major economic reports or further development on issues like tariffs, stocks drifted up and down.

Agribusiness company Monsanto fell after Bloomberg News reported that American authorities have concerns about its sale to Bayer and might order Bayer to sell more assets. Toymakers Hasbro and Mattel sagged as Toys ''R'' Us moved toward shuttering its stores in the United States.

Industrial companies bounced back after three days of declines that stemmed from trade worries. After big gains earlier this month, smaller, more domestically focused companies continued to slip. Technology companies finished with small gains, however.

Tech stocks did far better than the rest of the **stock market** in 2017, and they are the only part of the **Standard & Poor's 500**-**stockindex** that has fully recovered from last month's sell-off. Lindsey Bell, an investment strategist at CFRA Research, thinks there is a good chance the industry will outpace the broader market again this year.

''Our economy in general and our world in general is becoming more connected digitally and this is an area that's going to continue to thrive as time goes on,'' Ms. Bell said. She added that chipmakers and service companies like Alphabet and Facebook should continue to do well.

The **S**.**&P**. **500** fell 2.15 points, or 0.1 percent, to 2,747.33. It climbed as much as 13 points earlier but wound up with its fourth consecutive loss. The **Dow Jonesindustrial average** added 115.54 points, or 0.5 percent, to 24,873.66. The **Nasdaq composite** lost 15.07 points, or 0.2 percent, to 7,481.74.

Most of the companies listed on the New York Stock Exchange traded lower.

Monsanto stock fell $5.95, or 4.8 percent, to $117.20 after Bloomberg News reported that antitrust regulators want Bayer to sell more assets before they allow the company to buy Monsanto. Bayer agreed to buy Monsanto for $66 billion in 2016, and its U.S.-traded shares rose 22 cents to $29.76 Thursday.

Mattel declined 34 cents, or 2.4 percent, to $13.84, and Hasbro fell 38 cents, or 0.4 percent, to $88.15, as Toys ''R'' Us prepares to shut down its operations in the United States. Chief executive David Brandon told employees Wednesday the chain plans to liquidate all of its stateside stores.

Benchmark United States crude added 23 cents to $61.19 a barrel in New York.

Gold fell $7.60 to $1,316.80 an ounce. Silver fell 12 cents to $16.42 an ounce.

Bond prices edged lower. The yield on the **10**-**year Treasury** note rose to 2.83 percent from 2.82 percent.

The dollar steadied at 106.33 yen from 106.32 yen. The euro fell to $1.2299 from $1.2370.

CHART: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Thursday. (Source: Reuters)

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Easing of Trade Tension Sends Shares Soaring

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News that the United States and China are open to negotiating to avert a trade war put investors in a buying mood Monday, giving the market its best day in more than two years and erasing about half of its huge losses last week.

Technology companies accounted for much of the broad rally, which powered the **Dow Jonesindustrial average** to a gain of nearly 670 points. Microsoft was the biggest gainer in the 30-company Dow and the **Standard & Poor's 500**-**stockindex**, climbing nearly 8 percent.

Banks also notched solid gains, benefiting from a pickup in bond yields. Retailers, consumer goods companies and health care stocks were among the big gainers.

The market rebound followed the worst week for American stocks in two years as investors exchanged last week's jitters for a more optimistic outlook on trade, and an opportunity to buy.

''Certainly nothing's settled,'' said Rob Haworth, senior investment strategist at U.S. Bank Wealth Management. ''Investors are still viewing this as a glass half-full market and a constructive economy, so it's not surprising to see them buy on value here, buy on dips to try to rebuild their positions.''

The **S**.**&P**. **500** rose 70.29 points, or 2.7 percent, to 2,658.55. The **Dow Jonesindustrial average** gained 669.40 points, or 2.8 percent, to 24,202.60. The Dow lost more than 1,400 points last week and is still down slightly for the year.

The **Nasdaq** added 227.88 points, or 3.3 percent, to 7,220.54. The Russell 2000 index of smaller-company stocks picked up 33.63 points, or 2.2 percent, to 1,543.72.

All told, the Dow, **S**.**&P**. **500** and **Nasdaq** posted their best one-day gains since August 2015, making up slightly more than half of the market's losses on Thursday and Friday.

Global stock markets fell sharply last week amid fears of a trade war after President Trump announced duties on $60 billion worth of Chinese goods in a dispute over technology policy. On Friday, Beijing released a $3 billion list of American goods targeted for possible retaliation over an earlier increase in tariffs by the United States on steel and aluminum imports. That prompted fears the spat might depress trade worldwide and set back the global economic recovery.

Those fears eased Monday, after China's government said it was open to negotiating with Washington. That announcement followed a report by The Wall Street Journal indicating that United States officials had submitted a list of market-opening requests.

A foreign ministry spokeswoman, Hua Chunying, didn't confirm the report by The Journal but said at a regular briefing, ''Our door for dialogue and discussion is always open.''

China has yet to say how it might respond to Mr. Trump's tariff proposals. That didn't appear to dampen investors' resurgent optimism Monday.

"This declaration of tariffs on the president's part was his typical opening salvo into a negotiation process," said Randy Frederick, vice president for trading and derivatives at Charles Schwab. "He's done these things in the past, and now it looks like the markets are telling us, 'Yep, that's what's happening.' "

A top trade negotiator for South Korea said Monday that the nation had agreed to further open its auto market to the United States as the two countries prepare to amend their six-year-old trade agreement.

Technology companies recouped some of the sector's big losses last week. Microsoft rose $6.60, or 7.6 percent, to $93.78.

Financial stocks surged as bond yields rose. Higher yields are good for banks, because they drive up interest rates on mortgages and other loans, making them more profitable for lenders. Bank of America added $1.27, or 4.4 percent, to $30.44.

The yield on the **10**-**year Treasury** rose to 2.85 percent from 2.81 percent late Friday.

Lowe's climbed 6.6 percent after it said its chairman and chief executive, Robert Niblock, was retiring. The stock gained $5.53 to $89.30.

Facebook ended barely higher after erasing an early slide triggered by new questions about collecting phone numbers and text messages from Android devices. The Federal Trade Commission confirmed Monday that it was investigating the company's privacy practices, including whether it engaged in "unfair acts" that cause "substantial injury" to consumers. The stock eked out a gain of 67 cents, or 0.4 percent, to $160.06.

Traders also had their eye on the latest corporate deal news Monday.

The sporting goods retailer Finish Line vaulted $3.28, or 31.1 percent, to $13.83 after it agreed to be bought by JD Sports Fashion PLC.

USG Corp., a building products company, jumped $6.52, or 19.5 percent, to $40.03 after it rejected an offer worth $42 per share from Knauf.

Benchmark United States crude fell 33 cents to settle at $65.55 per barrel on the New York Mercantile Exchange. Brent crude, used to price international oils, shed 33 cents to close at $70.12 in London.

In other energy futures trading, heating oil was little changed at $2.02 a gallon. Wholesale gasoline lost 2 cents to $2.01 a gallon. Natural gas added 3 cents to $2.62 per 1,000 cubic feet.

Gold rose $5.10 to $1,354.40 an ounce. Silver gained 10 cents to $16.68 an ounce. Copper slipped 2 cents to $2.97 a pound.

The dollar rose to 105.22 yen from 104.82 yen on Friday. The euro strengthened to $1.245 from $1.2367.

CHARTS: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Monday. (Source: Reuters); Two-Year Treasury Notes: High yields in percent. (Source: Treasury Department)

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A Wayward Day on Wall Street Ends in the Red

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Wall Street struggled to find direction on Wednesday, eventually closing with a loss for the second straight day.

The drop was modest compared with the market's plunge on Tuesday, but technology stocks led the losses in both sessions. Shares of Amazon, Netflix and other consumer-focused companies also weighed on the market on Wednesday. Energy stocks fell in tandem with crude **oil prices**.

Those losses outweighed gains by drugstore chains, health care companies and other stocks.

Despite a crop of strong company earnings and reassuring deal news, traders wrestled with the implications of negative headlines swirling around several big-name stocks, including Amazon and Facebook.

''The news continues to be **volatile** and the markets are just highly sensitive to it in a way that they weren't sensitive to it last year,'' said Tom Martin, senior portfolio manager with Globalt Investments. ''We've forgotten that this is more like the way things are, that markets do react to news that comes in.''

The benchmark **Standard & Poor's 500**-**stockindex** lost 7.62 points, or 0.3 percent, to close at 2,605. The **Dow Jonesindustrial average** fell 9.29 points, or 0.04 percent, to 23,848.42. The tech-heavy **Nasdaq composite** slid 59.58 points, or 0.9 percent, to 6,949.23.

Bond prices were little changed. The yield on the **10**-**year Treasury** held at 2.78 percent.

The major stock indexes wobbled between gains and losses for much of the day as investors weighed developments from some of the market's biggest names.

Facebook's shares, which have taken a beating in recent days over privacy concerns, reflected the market's broader movement, dipping into the red at times before eking out a small gain. Facebook said early Wednesday that it would give its privacy tools a makeover. The move is a response to criticism over its data practices and the prospect of tighter European regulations. Its stock gained 81 cents, or 0.5 percent, to $153.03.

The software company Red Hat was the technology sector's biggest decliner, sliding $8.22, or 5.3 percent, to $146.20.

''Tech has had such a tremendous run-up and has outperformed some of the other sectors,'' said Erik Davidson, chief investment officer for Wells Fargo Private Bank. ''There may be other areas now that are more attractive, and we've seen some strength recently in some of the more defensive-oriented sectors.''

Investors also fretted about Amazon after Axios, citing anonymous sources, reported that President Trump had wondered aloud if there was a way to ''go after'' Amazon with antitrust or competition law.

Shares in Amazon fell $65.63, or 4.4 percent, to $1,431.42.

Netflix shares also declined, shedding $14.92, or 5 percent, to $285.77.

Benchmark United States crude lost 87 cents, or 1.3 percent, to settle at $64.38 a barrel on the New York Mercantile Exchange. Brent crude, used to price international oils, fell 58 cents, or 0.8 percent, to $69.53 a barrel in London.

The dollar rose to 106.88 yen from 105.54 yen Tuesday. The euro fell to $1.2313 from $1.2402.

Gold fell $17.80, or 1.3 percent, to $1,324.20 an ounce. Silver dropped 29 cents to $16.25 an ounce. Copper was little changed at $3 a pound.

This is a more complete version of the story than the one that appeared in print.

CHARTS: Real Economic Growth: Annual rate of change in the gross domestic product, based on quarterly figures adjusted for inflation and seasonal fluctuations. (Source: Commerce Department); The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Wednesday. (Source: Reuters)

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The New York Times

Strategies
Business Day
Why a Bigger Dose of Market Panic Could Help

By Jeff Sommer
1,312 words
30 March 2018
08:00 AM
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English

The most surprising thing about the wobbly **stock market** of 2018 is that investors haven't panicked — or at least that they haven't panicked much.

That's the view of James W. Paulsen, chief investment strategist of the Leuthold Group, an investment research firm based in Minneapolis. In some ways, panic is a subjective thing, he acknowledges, and it may seem that the storms that have swept through the **stock market** since early February have been more than enough already.

But Mr. Paulsen has data to back up his view that investors have maintained their composure to a surprising degree, and maintains that a bigger dose of fear could have a salutary effect.

"I think a much bigger panic is probably going to happen," he said. "And I think the best thing for the market would be if it happened soon and we could just move on from there."

Mr. Paulsen isn't betting against the **stock market**, though. He remains a bull, but is convinced that valuations are too high and says the market's nine-year upward trend isn't likely to be sustained without a bigger adjustment in stock prices than has already taken place this year.

He bases these conclusions on some noncontroversial assumptions, which are widely shared: Stocks are priced at levels that are at the upward edge of historic bounds, and the recovery from the last economic recession remains in place but is now fairly mature and becoming increasingly vulnerable.

For now, in the odd, contrarian logic of the market, the fact that investors haven't been overwhelmingly worried worries him. It implies that far bigger declines may be on the way.

That logic goes something like this:

First, consider what has happened in the **stock market** since it peaked on Jan. 26. The **Standard & Poor**'**s** **500**-**stockindex** fell more than 10 percent by Feb. 8 but didn't keep dropping; it is now down about 5 percent from that peak. That's not much of a drop, after the sharp gains of the last nine years, and, especially, in 2017 and early this year. Whenever the market has had sharp declines so far in 2018, it has rebounded quickly.

Yes, there have been sequences of ugly days, with declines of more than 2 and even 3 percent a day in the **S**.**&P**. **500**-**stock index**. What's more, the market has often looked absolutely horrendous when converted into the inflated currency of the **Dow Jonesindustrial average**, whose raw numbers have been swollen by outlandish gains since March 2009.

With the Dow in the 20,000-plus-range, a 100-point drop is barely worth noticing: It amounts to less than half a percentage point. Using this crude and misleading measure, the Dow had its biggest single-day decline in history on Feb. 5, with a drop of more than 1,175 points. But that amounted to only a 4.6 percent daily drop, a minor distraction, in percentage terms, when compared with the worst day in history. That was Oct. 19, 1987, when the Dow fell 22.6 percent.

Still, this year's drops have garnered plenty of attention, but they have been followed by rallies, some of them within the same trading day, so that the overall change in the market is minimal.

The stock market returns themselves provide evidence that there has — as yet — been no major panic. But there's more.

Investors have not merely supported stock prices in a weak market, they have also failed to bid up the prices of the traditional "safe haven" assets like Treasury bonds, gold, the dollar and defensive stocks like utilities that tend to hold their value when the overall stock market sinks.

Mr. Paulsen measured this effect by creating a proprietary Safe Haven proxy index, which combines these "risk-off" assets that tend to spike in value during crises. Treasury bonds, for example, have soared in value during past stock market downturns, but that generally hasn't happened this time.

And while a stock market confidence index maintained by the Conference Board has fallen since the February decline, there's little indication that investors have changed their behavior. "From the standpoint of behavior — meaning, what people are actually doing — there's no sign that people have been fleeing stocks and moving to these assets," he said.

He says that further stock market declines — or, at least, a hiatus in the market's long-term upward trend — may be desirable for stock market bulls. The reason is that stock prices, by many measures, still seem unsustainably high, while the economic expansion that has supported those prices may have entered a new, more fragile phase.

One valuation metric, for example, the price-to-earnings ratio of the S.&P. 500, based on earnings over the past 12 months, is about 21. A more reasonable level, given historical averages and prevailing bond yields, would be a P/E of about 17, Mr. Paulsen said.

To get down to that level, prices can fall or earnings rise, or both can happen. The Wall Street consensus is that earnings will rise substantially this year — perhaps by about 15 percent, thanks, in part, to a boost from the recent tax cut.

"The problem," Mr. Paulsen said, "is that the stock market rose so much last year that we've already paid ourselves a bonus from the tax cut and from earnings growth. The market needs to catch up with itself."

A sideways stock market for the next year — with prices remaining close to current levels while corporate profits grow — would restore valuations to a healthier level with less pain, he said. That would amount to a gentle, protracted correction, after which the stock market might then be ready to resume its upward trend.

But a more violent correction is also possible, and, perhaps, more likely.

Consider that the economic recovery is robust enough for the Federal Reserve to have begun raising short-term interest rates, and that the Fed projects further increases over the next two years. With the tax cut stimulating an economy that already has low unemployment, the Fed could be impelled to move more forcefully to fend off rising inflation.

But when interest rates rise, many assets, including stocks, are often deemed to be worth less. Rising rates alone could be expected to have a negative effect on the stock market.

That's why a further 15 percent drop in the S.&P. 500-stock index would not be shocking. The stock market could easily rebound after such a fall, with one important caveat: the health of the economy at that moment.

Right now, no immediate recession is in sight and, as Robert Shiller, the Yale economist, recently wrote, economists have a miserable track record in projecting recessions a year in advance. The yield curve — the relationship between short- and longer-term bond yields — has moved in a direction that may portend economic problems, but it is not sending out clear signals of distress, at least not yet.

Nonetheless, forecasters like Capital Economics already say there is a "modest risk" of a recession in 2019. Capital Economics expects the stock market to be lower then than it is now.

But the consensus is that the economy will keep purring along. If it does, Mr. Paulsen says, a little stock market panic now may give the bull market the spur it needs for another strong run.

Follow Jeff Sommer on Twitter: @jeffsommer

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Minh Uong/The New York Times

Document NYTFEED020180330ee3u002xn

The New York Times

STOCKS & BONDS
Business/Financial Desk; SECTB
Market Flutters After Adviser To Trump Says He's Leaving

By THE ASSOCIATED PRESS
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8 March 2018
The New York Times
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8
English

"What does it mean for trade?" That question continued to guide Wall Street Wednesday, leading stocks to a mixed finish after President Donald Trump's top economic adviser resigned after opposing the administration's planned tariffs on imports of steel and aluminum.

Stocks fell in the morning as investors reacted to the departure of Gary Cohn, a former Goldman Sachs executive who was seen as a proponent of free trade. The losses deepened after Trump suggested on Twitter that the U.S. may impose penalties on China as part of intellectual property disputes. The **Dow Jonesindustrial average** fell as much as 349 points.

Cohn, the director of the National Economic Council, was known to disagree with the tariff plan, which has also drawn criticism from Republicans in Congress as well as from much of corporate America.

"He was seen as a key proponent of free trade to balance some of the other more protectionist-type advisers in the administration," said Keith Parker, U.S. Equity Strategist for UBS. Cohn was also considered one of the architects of last year's corporate tax cut.

The market bounced back late in the afternoon after the White House said some countries, including Canada and Mexico, might be granted exemptions to the tariffs. That suggested a lighter touch that won't affect the global economy and corporate profits as much as a broader tariff would, and wouldn't result in as much retaliation from other countries.

Industrial companies like Caterpillar and Boeing whipsawed on the news. Technology and health care companies ended higher, while energy companies fell with **oil prices**.

The **Standard & Poor**'**s500 index** fell as much as 1 percent during the day but finished with a loss of just 1.32 points, less than 0.1 percent, at 2,726.80. The **Dow Jonesindustrial average** declined 82.76 points, or 0.3 percent, to 24,801.36.

The **Nasdaq composite** gained 24.64 points, or 0.3 percent, to 7,396.65. The Russell 2000 index of smaller-company stocks added 12.33 points, or 0.8 percent, to 1,574.53. It's fared better than the S&P and Dow over the last week as the companies on that index are far more U.S.-focused and would stand to lose less from a flare-up in global trade tensions.

In response to the planned steel and aluminum tariffs, the European Union has proposed tariffs on U.S. exports including motorcycles and bourbon. Jack Daniel's maker Brown-Forman sank after CEO Paul Varga said his company "could be an unfortunate and unintended victim" of more hostile trade. Varga said the company has been selling more lower-priced liquors in Europe, a strategy that leaves it more vulnerable to higher costs.

The company also forecast a smaller-than-expected annual profit and its stock dropped $3.15, or 5.6 percent, to $52.89. Motorcycle maker Harley-Davidson slid 43 cents, or 1 percent, to $43.90.

Discount retailer Dollar Tree's fourth quarter results disappointed investors, and so did its forecasts for the current year. It tumbled $15.11, or 14.5 percent, to $89.25. Competitor Ross Stores lost $5.11, or 6.3 percent, to $75.40 following its report.

Benchmark U.S. crude dropped $1.45, or 2.3 percent, to $61.15 a barrel in New York after the Energy Department reported that U.S. oil production rose last week. Brent crude, used to price international oils, fell $1.45, or 2.2 percent, to $64.34 a barrel in London. Exxon Mobil tumbled $1.92, or 2.5 percent, to $74.26 and Hess lost $2, or 4.1 percent, to $46.48.

On Twitter, Trump said the government is "acting swiftly on intellectual property theft." The U.S. Trade Representative is investigating whether Chinese intellectual property rules are "unreasonable or discriminatory" to American business.

Parker said the tariffs could reduce corporate profits by about $10 billion, far less than the boost corporations will get from the tax cut that was signed into law in December. However he said steps against China, and retaliation by the Chinese government, could raise the cost of items including phones, technology goods, and clothing.

"The risk is that given China policy and actions that there could be something specific placed on Chinese goods, which would potentially lead to a retaliatory action," he said.

While most investors interpreted the departure of Cohn as a loss, Parker said his resignation might keep some of the administration's protectionist plans in check when combined with criticism from Republicans in Congress and the generally negative **stock market** reaction.

In other energy trading, wholesale gasoline lost 2 cents to $1.91 a gallon. Heating oil declined 3 cents to $1.87 a gallon. Natural gas rose 3 cents to $2.78 per 1,000 cubic feet.

Bond prices edged higher. The yield on the **10**-**year Treasury** note fell to 2.88 percent from 2.89 percent.

Metals prices gave back some of Tuesday's gains. Gold fell $7.60 to $1,327.60 an ounce. Silver slid 29 cents, or 1.7 percent, to $16.49 an ounce. Copper lost 2 cents to $3.14 a pound.

The dollar dipped to 106.07 yen from 106.21 yen. The euro edged down to $1.2403 from $1.2405.

Germany's DAX rose 1.1 percent and Britain's FTSE 100 gained 0.2 percent while the French CAC 40 added 0.3 percent. Asian markets started flat but losses widened in the afternoon. The Japanese Nikkei 225 dropped 0.8 percent while South Korea's Kospi fell 0.4 percent. The Hang Seng of Hong Kong sank 1 percent.

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This is a more complete version of the story than the one that appeared in print.

CHART: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Wednesday. (Source: Reuters)

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Business/Financial Desk; SECTB

Indexes Soar on Jobs Report As Fears of Inflation Abate

By THE ASSOCIATED PRESS
751 words
10 March 2018
The New York Times
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Late Edition - Final
3
English

Wall Street got exactly what it wanted from Friday's jobs report: solid hiring, moderate wage growth and continued low unemployment. Investors sent stocks sharply higher, particularly their recent favorites, technology companies.

American employers added 313,000 jobs in February, more than forecast, and wages didn't rise as much as investors had feared. The Labor Department also said January's rise in wages was a bit smaller than it originally thought. It made for a happy ninth anniversary for the current **bull market**.

A month earlier, an increase in wages got investors worried about inflation and set off a **stock market** swoon, giving the benchmark **S**.**&**.**P 500**-**index** its first 10 percent decline in two years.

Bond yields also moved higher as investors anticipated that the solid jobs survey portends more steady growth in the American economy.

The **Nasdaq composite** regained the last of its February losses and closed at a record high. Banks also rose as interest rates increased, and industrial and health care and basic materials companies also climbed. Those sectors tend to do better when the economy is growing quickly.

The **S**.**&P**. **500**-**index** climbed 47.60 points, or 1.7 percent, to 2,786.57. The **Dow Jonesindustrial average** rose 440.53 points, or 1.8 percent, to 25,335.74. The **Nasdaq composite** jumped 132.86 points, or 1.8 percent, to 7,560.81. The Russell 2000 index of smaller-company stocks picked up 25.18 points, or 1.6 percent, to 1,597.14.

Apple rose $3.04, or 1.7 percent, to $179.98, and Microsoft climbed $2.11, or 2.2 percent, to $96.54. Both finished at record highs. Technology companies have led the market's rally since early 2017, and they have led the recovery from its recent lows as well.

The **S**.**&P**. **500** is still 3 percent beneath its latest record high close, which came on Jan. 26. None of the other major S.&P. sectors have recovered all of their February losses, as technology has.

Bond prices dropped. The yield on the **10**-**year Treasury** note rose to 2.90 percent from 2.85 percent. Banks advanced, but high-dividend stocks like utilities and phone companies fell. Those stocks are often compared to bonds, and they tend to fall when yields move higher, as higher yields make them less appealing to investors seeking income.

Stocks initially declined last week after President Trump said he would place tariffs on imported steel and aluminum. They have recovered their losses after he granted exemptions to Canada, Mexico and potentially to other countries.

Netflix rose $14.44, or 4.6 percent, to $331.44 after The New York Times reported that the streaming service was negotiating with former President Barack Obama to have him and his wife, Michelle, produce shows. The two sides have not confirmed that they are in talks. Daniel Ives, an analyst for GBH Insights, said a deal with the Obamas would be ''another major win for Netflix'' as it tries to create more and more original shows.

Toymakers fell after news reports that Toys ''R'' Us is getting ready to liquidate its American operations. The chain, which filed for bankruptcy protection, has been unable to find a buyer or restructure its debt. Despite its struggles, it is still a major retailer of toys. Hasbro dropped $1.92, or 2.1 percent, to $91.46, while Mattel sank $1.13, or 7.1 percent, to $14.84.

Energy companies climbed as benchmark U.S. crude added $1.92, or 3 percent, to $62.04 a barrel in New York, while brent crude, used to price international oils, rose $1.88, or 3 percent, to $65.49 a barrel in London.

Elsewhere, wholesale gasoline added 4 cents to $1.90 a gallon. Heating oil rose 3 cents to $1.89 a gallon. Natural gas lost 4 cents to $2.73 per 1,000 cubic feet.

Gold rose $2.30 to $1,324 an ounce. Silver added 11 cents to $16.61 an ounce. Copper increased 6 cents, or 1.9 percent, to $3.14 a pound.

The dollar rose to 106.77 yen from 106.24 yen. The euro rose to $1.2313 from $1.2306.

CHART: The **S**.**&P**. **500 Index**: Position of the **S**.**&P**. **500 index** at 1-minute intervals on Friday. (Source: Reuters)

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The New York Times

Business/Financial Desk; SECTB
Banks and Energy Firms Help Indexes Inch Higher

By THE ASSOCIATED PRESS
536 words
17 March 2018
The New York Times
NYTF
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4
English

U.S. stocks edged higher on Friday as gains from energy companies, industrial firms and smaller companies helped the market end a modest losing streak.

Oil and gas companies climbed along with the price of oil, while industrial companies recovered some of the losses they sustained this month. The beauty products retailer Ulta and the software company Adobe rose after strong quarterly reports. Tiffany dropped after reporting weak sales, and the online retailers Overstock.com and Wayfair slumped as investors worried about a possible price war.

All this week, stocks moved higher in early trading only to shed those gains as the day went on. They broke out of that pattern on Friday, even though the gains were modest.

''From an investor point of view, the fact that we haven't rallied right back to the highs is a good thing,'' said Randy Frederick, vice president of trading and derivatives at Charles Schwab. Positive news about the economy has been countered by concerns about rising tensions over global trade.

''The pullback that we've been in is pretty much driven by President Trump's proclamation about tariffs,'' Mr. Frederick said.

The **Standard & Poor's 500-stockindex** gained 4.68 points, or 0.2 percent, to 2,752.01. The **Dow Jonesindustrial average** added 72.85 points, or 0.3 percent, to 24,946.51. The **Nasdaq composite** rose 0.25 points to 7,481.99. The Russell 2000 index of smaller-company stocks jumped 9.43 points, or 0.6 percent, to 1,586.05.

The Federal Reserve said factory output continued to rise as companies in the United States produced more cars, computers and furniture. It reported that manufacturing output rose 1.2 percent in February. Factory output has increased 2.5 percent over the last year.

The Commerce Department said homebuilders started work on fewer apartment buildings in February, which caused overall housing starts to drop 7 percent. Builders have shifted their efforts to single-family homes recently as the economy has improved.

Benchmark U.S. crude rose $1.15, or 1.9 percent, to $62.34 a barrel in New York.

Tiffany dropped $5.20, or 5.1 percent, to $97.51 after it reported weaker sales than expected.

Overstock.com said profit margins had fallen hard because of competition with Wayfair. The stock dropped $2.50, or 5.2 percent, to $45.70, while Wayfair lost $5.01, or 6 percent, to $78.95.

Bond prices fell. The yield on the **10-year Treasury** note rose to 2.84 percent from 2.83 percent.

In other energy trading, wholesale gasoline gained 2 cents to $1.95 a gallon. Heating oil picked up 2 cents to $1.91 a gallon. Natural gas edged up 1 cent to $2.69 per 1,000 cubic feet.

Gold dipped $5.50 to $1,312.30 an ounce.

The dollar declined to 106.10 yen from 106.24 yen. The euro fell to $1.2284 from $1.2303.

CHART: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Friday. (Source: Reuters)

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The New York Times

Business/Financial Desk; SECTB
Markets Sink as Tech Rally Fades; Qualcomm Drops

By THE ASSOCIATED PRESS
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14 March 2018
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4
English

NEW YORK -- A seven-day surge in technology stocks ended Tuesday after President Donald Trump blocked Singapore-based chipmaker Broadcom's effort to buy Qualcomm. Trump said he opposed the $117 billion deal because it could have been detrimental to national security.

The **Dow Jonesindustrial average** climbed as much as 197 points in early trading after investors were pleased with a Labor Department report that showed inflation remained in check last month. But the gains soon faded.

Technology stocks were at record highs after a recent rally. While Qualcomm had rejected all of Broadcom's offers, investors are now wondering if other deals might also be blocked or if companies will hesitate before making bids for overseas competitors.

"I don't think we've started to price in protectionism on a broader level," said Gina Martin Adams, chief equity strategist for Bloomberg Intelligence.

The **S&P 500 index** lost 17.71 points, or 0.6 percent, to 2,765.31. The **Dow Jonesindustrial average** slid 171.58 points, or 0.7 percent, to 25,007.03. The **Nasdaq composite** fell 77.31 points, or 1 percent, to 7,511.01, its first decline after seven straight gains. The Russell 2000 index of smaller-company stocks sank 9 points, or 0.6 percent, to 1,592.05.

Qualcomm is one of the biggest makers of processors that power smartphones and other mobile devices. The deal would have been the largest in the history of the technology industry and Broadcom's offer came as other countries are also getting ready to build faster "5G" wireless networks.

Trump's decision followed a recommendation from the Committee for Foreign Investment in the U.S., which said Broadcom might cut back on research and development spending.

Qualcomm slid $3.11, or 5 percent, to $59.07. Broadcom rose more than 3 percent early on but finished with a loss of $1.62 to $261.22. Intel, a competitor, added 26 cents to $51.78. The Wall Street Journal reported Friday that Intel wanted to stop the deal and might try to buy Broadcom to make that happen.

Trump also cited national security risks this month in announcing tariffs on imported aluminum and steel, and investors appeared to be wondering if at least one other deal will face new obstacles. In November Bermuda-based chipmaker Marvell Technology Group agreed to buy competitor Cavium for $6 billion. Cavium lost $4, or 4.4 percent, to $86.95 while Marvell lost $1.43, or 5.9 percent, to $22.94.

The U.S. government has blocked deals by Chinese companies in the last few years under both Barack Obama and Trump, but Adams, of Bloomberg Intelligence, said investors are more focused on the issue now.

"We no longer have tax reform dangling in front of us," she said. "It's adding to an environment in which the market is a bit more nervous."

The government said prices paid by consumers rose 0.2 percent in February, matching estimates. Excluding food and energy costs, prices have risen 1.8 percent in the last year. Prices had jumped in January. Over the last month investors have worried about the prospect of faster inflation, but Tuesday's price report and the monthly jobs report on Friday suggest inflation isn't moving any more rapidly than it did in the recent past.

"If you put the two of them together it paints a very clear picture of an economy that's operating at a very high level, that's showing some inflation, but not overheating inflation," said Rick Rieder, BlackRock's chief investment officer of global fixed income.

Rieder said that in general, service costs are rising and the costs of goods are falling, although clothing prices have bounced back a bit recently.

With investors expecting slower gains in rates, bond yields headed lower. The yield on the **10**-**year Treasury** note slipped to 2.85 percent from 2.87 percent. Faster inflation would likely result in the Fed raising interest rates more quickly. Investors feared that could significantly slow the economy and the market's gains.

Lower yields mean lower interest rates, and that weighed on bank stocks. Bank of America fell 48 cents, or 1.5 percent, to $32.36.

Companies that are considered bond proxies, like utilities and real estate investment trusts, did better than the rest of the market. They often move in the opposite direction of bond yields because investors seeking income buy them for their big dividend payments.

Benchmark U.S. crude slumped 65 cents, or 1.1 percent, to $60.71 a barrel in New York. Brent crude, used to price international oils, lost 31 cents to $64.64 per barrel in London.

Wholesale gasoline fell 1 cent to $1.89 a gallon. Heating oil rose 1 cent to $1.87 a gallon. Natural gas gained 1 cent to $2.79 per 1,000 cubic feet.

Gold added $6.30 to $1,327.10 an ounce. Silver rose 9 cents to $16.63 an ounce. Copper gained 1 cent to $3.14 a pound.

The dollar rose to 106.61 yen from 106.35 yen. The euro rose to $1.2397 from $1.2336.

Germany's DAX shed 1.6 percent. Britain's FTSE 100 lost 1.1 percent while the CAC 40 in France slid 0.6 percent.

The Japanese Nikkei 225 index gained 0.7 percent and the Kospi of South Korea added 0.4 percent. In Hong Kong, the Hang Seng was unchanged.

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AP Markets Writer Marley Jay can be reached at http://twitter.com/MarleyJayAP . His work can be found at https://apnews.com/search/marley%20jay .

This is a more complete version of the story than the one that appeared in print.

CHARTS: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Tuesday. (Source: Reuters); **30**-**Year Treasury Bond**: High yield at auction. (Source: Treasury Department)

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The New York Times

Business/Financial Desk; SECTB
Wall St. Gains Ground Despite Trade War Fears

By CHAD BRAY and MATT PHILLIPS
696 words
3 March 2018
The New York Times
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2
English

After slipping early, stocks gained back ground on Friday, as banks and tech firms cut losses and pulled broader indexes higher.

The **Standard & Poor's 500**-**stockindex** closed up, after falling by more than 1 percent early in the day. The rocky open to the trading day followed broad declines in Europe and Asia, as fallout from President Trump's announcement on tariffs for steel and aluminum continued to rattle **financial markets**. On Thursday, major indexes fell sharply after Mr. Trump's announcement, with the S.&P. ending the day 1.3 percent lower.

On Friday, the Nikkei 225 in Japan fell 2.5 percent, and the Hang Seng Index in Hong Kong closed down 1.5 percent.

Major indexes in Europe were also down broadly, with the CAC 40 in France and the Xetra Dax 30 in Germany declining by more than 2 percent. The Stoxx Europe 600 index saw nearly every sector decline on Friday.

At a meeting with industry executives on Thursday, Mr. Trump said he would formally sign rules enacting tariffs of 25 percent on steel and 10 percent on aluminum next week, surprising some of his closest advisers, who had urged him not to pursue such measures.

The proposed measures angered many of the United States' closest allies and neighbors.

Jean-Claude Juncker, the president of the European Commission, said on Thursday night, shortly after the comments by Mr. Trump, that the tariffs appeared to represent ''a blatant intervention'' to protect the United States steel industry. He vowed the bloc would not ''sit idly while our industry is hit with unfair measures that put thousands of European jobs at risk.''

Canada accounted for the largest share of steel imports into the United States, about 16 percent in 2017, according to the latest data from the United States Department of Commerce's International Trade Administration. Brazil, South Korea and Mexico are the next biggest exporters to the United States, according to the Commerce Department.

''Any tariff measures that include steel or aluminum from Ontario could have serious negative impacts on workers and businesses on both sides of the border,'' Kathleen Wynne, the premier of Ontario, the most populated province in Canada, said on Thursday.

Hans Jürgen Kerkhoff, the president of the German Steel Federation, said the proposed tariffs plan ''clearly infringes'' on World Trade Organization rules and urged the European Union to take action.

In Europe, Germany accounted for about 4 percent of United States steel imports last year, followed by the Netherlands, with 2 percent; and Italy, with 1.4 percent, according to United States data. Britain accounted for about 1 percent of steel imports last year, and France had less than 1 percent.

Steel makers based outside the United States were generally trading lower on Friday after the trade announcement.

Jeremy Lawson, chief economist at Aberdeen Standard Investments, said the market might be waking up to strains of protectionism that had been emerging as part of the Trump administration's policies.

"Up until now, most of the market behavior over the past 12 to 15 months has been a reaction to macro economic environment, the big sort of tax policy changes," Mr. Lawson said. "The creeping protectionist that we are sort of seeing in the announcements around Canada lumber, solar panels, washing machines, the Section 232 investigation that preceded this announcement, the intellectual property investigation around China -- these types of things don't really appear to have affected markets up until now."

The market may also be factoring in potential retaliation in terms of trade by the European Union and China as a result of the Trump administration's actions, he said.

Follow Chad Bray and Matt Phillips on Twitter: @Chadbray and @MatthewPhillips

Traders at the New York Stock Exchange on Friday. The **Standard & Poor's 500-stockindex** closed up, after falling by more than 1 percent early in the day. (PHOTOGRAPH BY STEPHANIE KEITH/GETTY IMAGES) CHART: The **S.&P. 500 Index**: Position of the **S.&P. 500 index** at 1-minute intervals on Friday. (Source: Reuters)

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The New York Times

STOCKS & BONDS
Business/Financial Desk; SECTB
Market Teeters and Falls as Fed Raises Rates

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6
English

After a jittery afternoon of trading, major U.S. stock indexes fell Wednesday while smaller companies fared better. The Federal Reserve raised interest rates, as investors expected, and said it could raise rates at a quicker pace next year.

Stocks traded higher early in the day and jumped after the Fed announced its decision. The **Dow Jonesindustrial average** climbed 250 points, but gave it all up as new Fed Chairman Jerome Powell addressed reporters. At the end of trading it wobbled and ended lower. The dollar weakened and bond yields turned lower. Yields had risen earlier in the afternoon.

The Fed said the U.S. economy and the job market continued to improve over the last two months. It still expects to raise interest rates three times this year, and said it might raise rates three more times next year instead of two.

Brent Schutte, the chief investment strategist for Northwestern Mutual Wealth Management, said Powell is trying to tell Wall Street what the Fed's plans are without worrying investors too much. He said stocks dropped after Powell said rates might rise higher than the Fed expects.

"The market will have to get to know Jerome Powell a little bit and will have to test his credibility as Fed chairman," he said. "I would imagine the bar is higher for him in the shorter term because he is not a trained economist," unlike Janet Yellen and other predecessors.

Small and mid-size companies climbed. Energy companies led the way as **oil prices** jumped for the second day in a row. Homebuilders advanced following a report that sales of previously occupied homes increased in February. Cereal and packaged foods companies slumped after General Mills reported rising expenses and cut its annual profit forecast and airlines skidded after Southwest said its revenue is suffering as it cuts fares to compete with other companies.

The **S&P 500 index** slid 5.01 points, or 0.2 percent, to 2,711.93. The **Dow Jonesindustrial average** lost 44.96 points, or 0.2 percent, to 24,682.31. The **Nasdaq composite** fell 19.02 points, or 0.3 percent, to 7,345.29. The Russell 2000 index of smaller companies gained 8.90 points, or 0.6 percent, to 1,579.30.

Bond prices edged lower. The yield on the **10**-**year Treasury** note declined to 2.88 percent from 2.90 percent Tuesday. It had risen as high as 2.93 percent as investors expected quicker gains in interest rates.

David Kelly, the chief global strategist for JPMorgan Asset Management, said stocks usually do well when rates are rising, but only up to a point.

"If interest rates are rising from a low level, there's more optimism about the economy, and that generally is a more positive thing," he said. That's the case right now, but with an important difference: the economy has been growing for almost a decade, and interest rates have been historically low for the whole time.

Kelly added that the Fed and the government need to be careful to focus on smooth growth, as the recent tax cuts will dump some short-lived stimulus into the economy.

"The overall effect of the tax cut is to deliver another keg to a keg party at 2 a.m.," he said. "The party is probably going to go a little longer but the hangover is going to be worse."

Nine of the ten biggest gainers on the **S&P 500** were energy companies. Some of the biggest gains went to Marathon Oil and Anadarko Petroleum.

Benchmark U.S. crude rose $1.63, or 2.6 percent, to $65.17 a barrel in New York. Brent crude, used to price international oils, added $2.05, or 3 percent, to $69.47 a barrel in London.

General Mills, the maker of Cheerios cereal, Yoplait yogurt and other packaged foods, plunged after its third-quarter results were hurt by rising freight and commodity costs. The company also cut its annual profit outlook. The stock dropped $4.42, or 8.9 percent, to $45.51, and companies including Kellogg, J.M. Smucker and Post Holdings also fell.

After early losses, Facebook rose $1.24 to $169.39. The stock fell 9 percent Monday and Tuesday following reports a data mining firm working for President Donald Trump's campaign took data from the accounts of 50 million Facebook users without their permission. Authorities in Britain and the U.S. launched investigations into Facebook's handling of user data.

Facebook stock is down 12.5 percent from the all-time high it set Feb. 1.

Social media companies Twitter and Snap also regained a portion of their recent losses. Adding to Snap's woes, its stock fell last week after pop star Rihanna called on her fans to delete the Snapchat app after an ad for game that made jokes about her assault in 2009 by her then-boyfriend Chris Brown. Snap apologized for the ad.

In other energy trading, wholesale gasoline added 5 cents to $2.01 a gallon. Heating oil rose 5 cents to $2 a gallon. Natural gas fell 4 cents to $2.64 per 1,000 cubic feet.

Metals prices also increased. Gold rose $9.60, or 0.7 percent, to $1,321.50 an ounce and silver jumped 23 cents, or 1.4 percent, to $16.42 an ounce. Copper gained 2 cents to $3.06 a pound.

The dollar fell to 106.10 yen from 106.46 yen. The euro rose to $1.2332 from $1.2253.

The CAC 40 in France declined 0.2 percent and Britain's FTSE 100 fell 0.3 percent. Germany's DAX finished with a small gain.

Hong Kong's Hang Seng index erased earlier gains to fall 0.4 percent and South Korea's Kospi finished little changed. Markets in Japan were closed for a holiday.

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AP Markets Writer Marley Jay can be reached at http://twitter.com/MarleyJayAP . His work can be found at https://apnews.com/search/marley%20jay

This is a more complete version of the story than the one that appeared in print.

CHART: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Wednesday. (Source: Reuters)

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THE WALL STREET JOURNAL.
U.S. EDITION

Investors Worry They Stayed Too Long

By Asjylyn Loder
742 words
28 March 2018
The Wall Street Journal
J
B14
English

Corrections & Amplifications

The chart of flows into U.S. exchange-traded and mutual funds that ran with a March 28 Markets article about **stock-market volatility** showed data for the trailing 12 months ended February for 2009 through 2018. The graphic incorrectly omitted a footnote describing the period covered.

(WSJ April 11, 2018)

(END)

The **stock market**'s violent swings in recent days have investors wondering anew when the nine-year **bull market** will finally turn bear.

Major indexes dropped Tuesday, a day after posting their biggest one-day percentage gain in 2 1/2 years. Stocks advanced for much of the trading day before being dragged lower by technology and financial shares, extending last week's slide when fears of a trade war weighed on the market.

The gyrations left the **S&P 500** on track for a second-straight monthly decline -- which would be the index's first back-to-back monthly contraction since 2016. Wall Street's fear gauge has climbed. Short-term borrowing rates have increased to their highest level in nearly a decade.

While investors remain eager to squeeze every last dollar out of the **bull market**, increasingly they are worried that they will stay in too long.

That has left many investors watching for signs of a larger pullback. The potential signals include everything from stocks' price/earnings ratios to the gap between short- and long-term bond yields. One measure of those indicators suggests investors' jitters may still be a bit premature.

Late last year, analysts at Bank of America Merrill Lynch compiled a set of 19 indicators that have preceded past bear markets, which are unofficially defined as a 20% retreat from the most recent peak. Right now, those signposts suggest that the risk of a downturn is rising but that a reversal isn't imminent.

In the past, bear markets were on the horizon when 80% of those signals -- which include rising interest rates, growing consumer confidence, tightening credit conditions and surging market **volatility** -- have been triggered. Right now, 13 of the 19 indicators have been tripped. Several others, such as a narrowing gap between short-term and long-term bond yields, a condition known as a flattening of the yield curve, are inching closer.

While a 68% hit rate might seem high, this threshold was typically reached an average of two years before stocks peaked in the past seven bear markets, according to a Bank of America report dated March 13.

"It's too late to react once you're in a **bear market**," said Dan Suzuki, senior U.S. equity strategist at Bank of America Merrill Lynch. "You want to be looking out for signs that you're entering a **bear market**."

Many of the signals that worry investors, such as inflated company valuations and surveys of investor sentiment, have proven to be unreliable ways to pick the market peak, Mr. Suzuki said.

"Returns at the end of bull markets are some of the strongest," Mr. Suzuki said. "If you're a conservative investor, maybe this means you should be taking some chips off the table. But if you're trying to capture all of those returns, then you want to wait."

Despite the recent **volatility**, many analysts think the economic backdrop remains strong for stocks. Fears of a trade war between the U.S. and China ebbed this week following reports that the two countries were in discussions to improve U.S. access to Chinese markets.

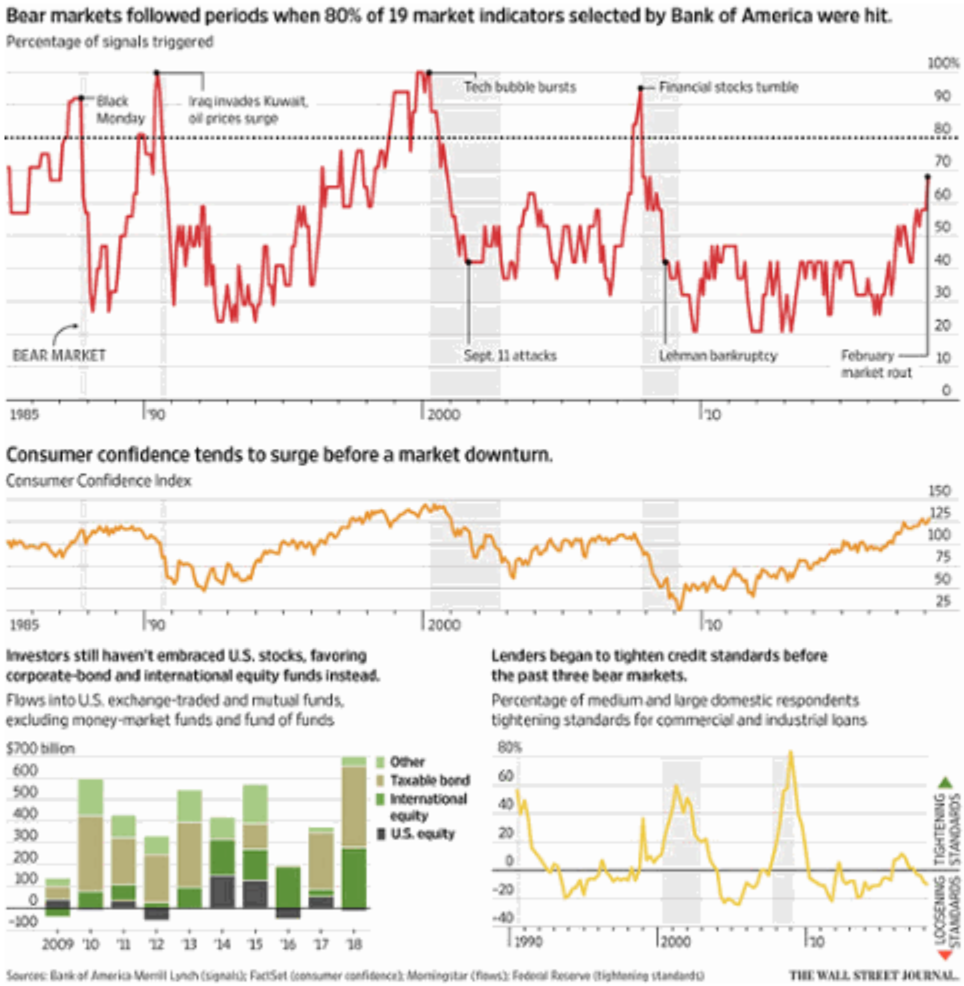
The **Dow Jones Industrial Average** fell 344.89 points, or 1.4% to 23857.71 on Tuesday, bringing its 2018 decline to 3.5%. The **S&P 500 stock index** dropped 1.7%, and the tech-heavy **Nasdaq Composite** Index tumbled 2.9%.

Concerns about tariffs, rising interest rates, inflation and bloated valuations have overshadowed good news like higher corporate earnings and strong economic growth, said Joe Zidle, investment strategist for Blackstone Group LP. And investors have yet to embrace U.S. equities, the way they have in the late stages of other bull markets.

U.S. equity exchange-traded funds and mutual funds have taken in $281 billion in the past decade while international stock funds attracted more than $1 trillion and corporate-bond funds drew $1.9 trillion, according to Morningstar Inc.

"Investors have been unwilling to embrace this **bull market**, and now they want to know when it's going to end," Mr. Zidle said. "The fact that so many people think it's about to end tells me it's going to keep going for a while yet."

"It's only at the end of a **bull market** that investors jump in with both feet," he said.



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The New York Times

STOCKS & BONDS
Business/Financial Desk; SECTB
Markets Edge Higher as Retailers Rise

By THE ASSOCIATED PRESS
961 words
7 March 2018
The New York Times
NYTF
Late Edition - Final
2
English

U.S. stocks meandered but finished mostly higher Tuesday as retailers and industrial companies rose. A jump in metals prices helped mining and materials companies. Asian markets jumped after the North Korean government said it was open to talks with the U.S. about ending its nuclear program.

Stocks have edged higher over the last three days, but they've frequently bounced up and down as investors grappled with the Trump administration's stance on trade and whether the proposed tariffs on steel and aluminum imports will push inflation higher in the U.S. and lead to retaliation by other countries that would hurt economic growth and corporate profits.

Kristina Hooper, chief global markets strategist for Invesco, said Wall Street is having trouble deciding if the tariffs are more of a bargaining chip in trade negotiations, as President Donald Trump has suggested at times in the last few days, or if they are a goal on their own.

"When it seemed as though it was just rhetoric (Monday), markets relaxed," she said. "Today, I think concerns have grown that maybe this isn't just a bargaining tactic." She said Republicans in Congress don't seem to be treating the tariffs as a bargaining move: House Speaker Paul Ryan spoke up against the proposed tariffs Tuesday and called for a "more surgical approach" that might cause less backlash.

The **Standard & Poor**'**s500 index** rose 7.18 points, or 0.3 percent, to 2,728.12. The **Dow Jonesindustrial average** edged up 9.36 points to 24,884.12. It rose as much as 120 points early on and later fell as much as 166 points before recovering. The **Nasdaq composite** jumped 41.30 points, or 0.6 percent, to 7,372.01. The Russell 2000 index of smaller-company stocks climbed 16.16 points, or 1 percent, to 1,562.20.

Stocks fell 3.7 percent during a three-day losing streak last week after Trump announced his tariff plans. Other countries objected and the European Union announced plans to put tariffs on some U.S.-made goods including bourbon and motorcycles. Companies that make most of their sales overseas have fared the worst while U.S.-focused companies have regained their losses from that three-day stretch.

Asian markets climbed after North Korea said it is willing to start talks with the U.S. on denuclearization. It also said it would stop nuclear and missile tests during those discussions. The Kospi in Seoul jumped 1.5 percent while Tokyo's Nikkei 225 rose 1.8 percent. Hong Kong's Hang Seng index climbed 2.1 percent.

While retailers including Amazon, Best Buy and Lowe's gained ground, Target lost $3.35, or 4.5 percent, to $71.79 after it reported that costs associated with overhauling its stores and investing in its website affected its earnings and forecasts for the current year. Target also said it is raising minimum starting pay for workers for the second time in less than a year.

Qualcomm fell and Broadcom rose after Bloomberg News reported that Broadcom is on track to get more leverage in its effort to buy Qualcomm, which wants Broadcom to make a richer offer. Bloomberg reported that so far, directors backed by Broadcom are on pace to win six seats on Qualcomm's board. Qualcomm's current board opposes Broadcom's $117 billion bid for the company and says the price is too low, while a board supported by Broadcom would likely accept the offer instead.

Qualcomm gave up $1.87, or 2.9 percent, to $62.14 and Broadcom added $3.98, or 1.6 percent, to $250.96. Both stocks fell Monday after The Committee for Foreign Investment in the U.S. said it will look into the deal.

After an early loss, Nordstrom rose 59 cents, or 1.1 percent, to $52.49 after the department store rejected an offer from the Nordstrom family to take it private, saying the price of $50 a share was too low. The family group includes co-presidents Blake, Peter and Erik Nordstrom. They and other family members own 30 percent of Nordstrom's stock.

Metals prices ended higher, boosting mining stocks. Gold rose $15.30, or 1.2 percent, to $1,335.20 an ounce. Silver climbed 37 cents, or 2.3 percent, to $16.78 an ounce. Copper added 3 cents to $3.16 a pound. Gold and copper mining company Freeport-McMoRan rose 51 cents, or 2.8 percent, to $18.70.

Benchmark U.S. crude added 3 cents to $62.60 a barrel in New York. Brent crude, used to price international oils, rose 25 cents to $65.79 a barrel in London.

Wholesale gasoline stayed at $1.93 a gallon. Heating oil rose 1 cent to $1.90 a gallon. Natural gas gained 5 cents to $2.75 per 1,000 cubic feet.

Bond prices edged higher. The yield on the **10**-**year Treasury** note fell to 2.87 percent from 2.88 percent.

Germany's DAX rose 0.2 percent and London's FTSE 100 gained 0.4 percent. France's CAC 40 added 0.1 percent.

The dollar inched up to 106.21 yen from 106.20 yen. The euro rose to $1.2405 from $1.2327.

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AP Markets Writer Marley Jay can be reached at http://twitter.com/MarleyJayAP . His work can be found at https://apnews.com/search/marley%20jayt .

This is a more complete version of the story than the one that appeared in print.

CHART: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Tuesday. (Source: Reuters)

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The New York Times

Business/Financial Desk; SECTB
Markets Tumble as Jitters Over Potential Trade War Grow

By MATT PHILLIPS
722 words
23 March 2018
The New York Times
NYTF
Late Edition - Final
2
English

Global markets shuddered on Thursday as investors began to take seriously the prospect of a trade war between the world's two largest economies.

Stocks in the United States fell for a second-straight day, as President Trump announced $60 billion worth of annual tariffs on Chinese imports, and concerns about growing trade tensions mounted.

After wobbling throughout the day, the **Standard & Poor's 500-stockindex** turned decisively lower in the last hour of trading, closing down by 2.5 percent. That put the index into negative territory for the year.

The trade measures against China were the latest demonstration of Mr. Trump's "America First" agenda, and were announced a day before tariffs on global steel and aluminum imports were expected to take effect.

The potential ripples of the trade actions have unsettled investors.

In Asia, markets opened on Friday to heavy selling as investors across the region reacted negatively to the news from Washington. In Tokyo, where the market opened first, shares fell 3.5 percent in early trading. In Seoul, the heavy selling followed, with shares on the main Kospi index down more than 2 percent.

Chinese investors reacted with panic, sending shares of companies listed in Shanghai and Shenzhen down by 2.5 percent. In Hong Kong, where many Chinese companies choose as a first port of call to list outside of China, stocks were down 2.8 percent.

Large exporters, whose fortunes could be harmed by a trade war, were hit especially hard on Thursday. Shares of Boeing, one of the country's largest exporters, and Caterpillar, which counts China as an important market, both fell by more than 5 percent.

Shares of large technology companies, which already have been reeling in anticipation of tougher government oversight, also took a hit. Facebook, which has been contending with a crisis over data privacy, slumped by more than 2 percent. Alphabet, Google's parent company, dropped by more than 3.7 percent.

Amid the dip in stocks, money flowed to government bonds as investors sought safety, briefly driving yields on the benchmark **10-year Treasury** note below 2.8 percent. Yields move in the opposite direction of **bond prices**. Commodities heavily geared toward global growth also fell. The price of West Texas intermediate crude oil, the American benchmark, slipped 1.2 percent. Copper, an important industrial metal, dropped 0.9 percent.

Thursday's decline is the latest in a series of jolts to stock markets in the past two months.

After more than a year of calm, in which stock markets glided to one record high after another, a wave of **volatility** is suddenly cresting. There have been many causes of the turbulence this month and last. Investors initially were fearful that the economy was getting too strong, and that rising wages might cause inflation, which would push the Federal Reserve to hike interest rates faster than investors previously had expected. Those concerns have partly faded as recent economic data showed that inflation remained in check.

More recently, market anxiety has shifted toward worries about geopolitics.

A growing public backlash against technology companies has increased the chances that lawmakers and regulators in the United States and elsewhere will intensify their scrutiny of them. Shares of those companies have helped propel markets to record highs, and their recent declines have led markets lower.

Now, the prospect of a trade war between China and the United States, the two largest economies, has added to the gloomy sentiment. Among the concerns is that protectionism poses a risk to the health of the world economy. On Thursday, for example, the Bank of England warned that the erection of international trade barriers could have a ''significant negative impact'' on global growth.

Stock markets around the world have reflected the worries. A leading European index, the Stoxx 600, fell more than 1.5 percent on Thursday. In Germany, whose economy is dependent on exporting products all over the world, the DAX index dropped 1.7 percent.

CHARTS: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Thursday. (Source: Reuters); Jobless Claims: Weekly number of people who have filed for unemployment benefits for the first time. (Source: Labor Department, via Reuters)

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THE WALL STREET JOURNAL.

Markets
Is the Bear Market Here Yet? Market indicators suggest that the nine-year bull cycle has more room to run

By Asjylyn Loder
787 words
27 March 2018
07:58 PM
The Wall Street Journal Online
WSJO
English

Corrections & Amplifications

The graphic in this story showing flows into U.S. exchange-traded and mutual funds represents the 12-month periods through February for the years 2009 through 2018. A chart with an earlier version of this article failed to include a footnote describing the period covered.

The **stock market**'s violent swings in recent days have investors wondering anew when the nine-year **bull market** will finally turn bear.

Major indexes dropped Tuesday, a day after posting their biggest one-day percentage gain in 2½ years. Stocks advanced for much of the trading day before being dragged lower by technology and financial shares, extending last week's slide when fears of a trade war weighed on the market.

The gyrations left the **S&P 500** on track for a second-straight monthly decline—which would be the index's first back-to-back monthly contraction since 2016. Wall Street's fear gauge has climbed. Short-term borrowing rates have increased to their highest level in nearly a decade.

While investors remain eager to squeeze every last dollar out of the **bull market**, increasingly they are worried that they will stay in too long.

That has left many investors watching for signs of a larger pullback. The potential signals include everything from stocks' price/earnings ratios to the gap between short- and long-term bond yields. One measure of those indicators suggests investors' jitters may still be a bit premature.

Late last year, analysts at Bank of America Merrill Lynch compiled a set of 19 indicators that have preceded past bear markets, which are unofficially defined as a 20% retreat from the most recent peak. Right now, those signposts suggest that the risk of a downturn is rising but that a reversal isn't imminent.

In the past, bear markets were on the horizon when 80% of those signals—which include rising interest rates, growing consumer confidence, tightening credit conditions and surging market **volatility**—have been triggered. Right now, 13 of the 19 indicators have been tripped. Several others, such as a narrowing gap between short-term and long-term bond yields, a condition known as a flattening of the yield curve, are inching closer.

While a 68% hit rate might seem high, this threshold was typically reached an average of two years before stocks peaked in the past seven bear markets, according to a Bank of America report dated March 13.

"It's too late to react once you're in a **bear market**," said Dan Suzuki, senior U.S. equity strategist at Bank of America Merrill Lynch. "You want to be looking out for signs that you're entering a **bear market**."

Many of the signals that worry investors, such as inflated company valuations and surveys of investor sentiment, have proven to be unreliable ways to pick the market peak, Mr. Suzuki said.

"Returns at the end of bull markets are some of the strongest," Mr. Suzuki said. "If you're a conservative investor, maybe this means you should be taking some chips off the table. But if you're trying to capture all of those returns, then you want to wait."

Despite the recent **volatility**, many analysts think the economic backdrop remains strong for stocks. Fears of a trade war between the U.S. and China ebbed this week following reports that the two countries were in discussions to improve U.S. access to Chinese markets.

The **Dow Jones Industrial Average** fell 344.89 points, or 1.4% to 23857.71 on Tuesday, bringing its 2018 decline to 3.5%. The **S&P 500 stock index** dropped 1.7%, and the tech-heavy **Nasdaq Composite** Index tumbled 2.9%.

Concerns about tariffs, rising interest rates, inflation and bloated valuations have overshadowed good news like higher corporate earnings and strong economic growth, said Joe Zidle, investment strategist for Blackstone Group LP. And investors have yet to embrace U.S. equities, the way they have in the late stages of other bull markets.

U.S. equity exchange-traded funds and mutual funds have taken in $281 billion in the past decade while international stock funds attracted more than $1 trillion and corporate-bond funds drew $1.9 trillion, according to Morningstar Inc.

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Write to Asjylyn Loder at asjylyn.loder@wsj.com

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THE WALL STREET JOURNAL.

Markets

If Market Volatility Is Back, Are You Ready? Here's what fund investors can do to prepare for sharp market moves ahead

By Michael A. Pollock
1,444 words
4 March 2018
10:13 PM
The Wall Street Journal Online
WSJO
English

As stocks have rebounded from a scary early February slide, the up and down may be foreshadowing a new, more-**volatile** period for markets.

Is your fund portfolio ready?

Advisers say there is no reason to abandon a long-term investing strategy because of a bout of turbulence like early February's, when stocks dropped 10% in 10 trading days. But they also say it's a good time for investors to review how their strategy performed. The process can shed light on how a portfolio might behave in an even deeper downturn—and help investors conquer their fears of **volatility** by providing a clearer picture of what to expect, says Glenn Wiggle, managing partner of Palm Beach Gardens, Fla.-based Peak Brokerage Services.

"Understanding how a mix of assets will perform can make investors feel more comfortable about staying the course," he says.

Here is a look at how the recent market tumult affected funds—including those tied directly to **volatility**—and what investors can do to prepare for more sharp moves ahead.

Put the plunge in perspective

Volatility is a normal part of investing that can be triggered by any number of events, so investors shouldn't be surprised when it occurs, advisers say. In the week ended Feb. 9, renewed worries about inflation and rising interest rates ended more than a year of relatively steady equity gains. On two separate days, the **Dow Jones Industrial Average** plunged more than 1,000 points. While these were record point moves, the declines in percentage terms weren't historic, at 4.6% and 4.1%, respectively. The Dow, **S&P 500** and **Nasdaq Composite** all ended the week down more than 5%.

The tumult affected different types of funds to different degrees, with investments designed to bet against **volatility** faring especially badly.

As stocks fell, a key gauge of market stress—the Cboe **Volatility** Index, or VIX—soared, sparking big losses for fund investors who had been betting on continued calm. Nomura Holdings Inc. and Credit Suisse Group AG closed exchange-traded notes that moved inversely to the VIX after they shed more than 80% of their value; an actively managed fund that also had bet against **volatility**, LJM Preservation & Growth (LJMAX), suffered a similarly sharp loss; and another VIX-tied exchange-traded fund fell 88% but survived. (More on the fund tumult .)

But selling was so widespread that many conservative funds also were affected. T. Rowe Price Dividend Growth (PRDGX) and ClearBridge Appreciation (SHAPX), which own shares of financially solid companies, were down about 5% that week, according to Morningstar Direct, which tracks fund performance. Morningstar gives both high marks for their long-term performances. "In market panics, everything goes down," says John Lynch, chief investment strategist for LPL Financial.

The way for investors to weather this kind of environment is to keep an eye on the long term, advisers say. "Investors who stay diversified, rebalance on a regular basis and stick with a plan, and understand their downside are a lot better off in this kind of market," Mr. Wiggle says.

That includes regularly monitoring portfolios to ensure stock positions haven't become too concentrated or grown into a much larger portion of total holdings than what investors have targeted. (Advisers often suggest that if an equity allocation moves more than 5 percentage points above an investor's long-term target, it is time to trim it back.)

Take stock of surprises

Periods of market **volatility** can rattle the nerves, but they also provide investors with an opportunity to examine how the specific funds they own performed under pressure.

Funds that hold stocks trading at lofty valuations or that focus on narrow market slices typically are more **volatile**, so it shouldn't be a mystery if they tanked in February. Figuring out why an actively managed fund didn't perform as expected based on its name, style or market focus, however, requires closer scrutiny.

Aiming to beat peers as markets rallied, a manager may have bought some hot stocks that aren't in a fund's benchmark index. A way to gauge a fund's degree of relative risk is to compare how it did on down days against its benchmark, which may not be the S&P, says Chris Zaccarelli, chief investment officer of Independent Advisor Alliance in Charlotte, N.C. If the fund significantly underperformed its own benchmark, that could signal that its manager is running a riskier portfolio than an investor may be comfortable with, he says.

Understand the downside of downside protection

Low-**volatility** funds may seem appealing now, but may not help a portfolio's performance if stocks continue to rally this year.

Funds such as PowerShares **S&P 500** Low **Volatility** ETF (SPLV) and iShares Edge MSCI Min Vol USA (USMV), which hold the least-**volatile** stocks in the **S&P 500**, did help some investors in the market melee.

According to CFRA, a New York-based financial data provider, the PowerShares ETF shed 4.6% in the week ended Feb. 9, while USMV was down 4.7%. But in return for that cushion, investors had to give up greater gains in previous months because such strategies usually lag behind during market rallies. Last year, for example, SPLV was up 17% and USMV gained 19%, versus a nearly 22% gain in the **S&P 500 index**.

While some investors may have a good reason for buying a low-**volatility** fund after a market correction, doing so could make it harder for them to make up lost ground.

Short-term attempts to outperform the broad market won't beat a well-designed buy-and-hold strategy over time, says Len Hayduchok, chief executive of Dedicated Financial Services, in Hamilton, N.J. "If you don't understand that you could lose a significant amount in a short period, you shouldn't be in the **stock market**," he says.

Prepare to bargain shop

Many investment pros believe the equity rally could continue for a while, fueled by the recent U.S. tax cuts and strong global growth. As such, it could make sense to shop for bargains during another pullback.

With the Federal Reserve on track to raise interest rates this year, investors should avoid rate-sensitive sectors such as telecoms and utilities, advisers say. Materials and some commodity stocks typically outperform late in market cycles, says Jay Batcha, founder and chief investment officer at Michigan-based Optimal Capital. But, he adds, investors should wait to buy at lower valuations, which might result from another broad market pullback.

Among popular ETFs in that sector are iShares Global Materials ETF (MXI), Materials Select Sector SPDR (XLB) and Vanguard Materials ETF (VAW).

A prudent approach would be to put money into the market periodically, perhaps on the first of each month or quarterly, says Mr. Lynch of LPL. Known as dollar-cost averaging, this strategy reduces the risk that an investor will buy into a fund at a bad time, such as right before a big correction. That said, if the market were to fall by another 10%, investors might want to consider moving ahead then with the next scheduled reinvestment, he says.

Leave it to the pros

Investors who aren't experienced in decisions about individual ETFs or allocations might consider buying an actively managed fund that owns both stocks and bonds. Called "allocation" or "multiasset" funds, they buy stocks when valuations are attractive and put more into bonds when stocks get pricier.

CFRA gives high ratings to Fidelity Puritan (FPURX), which recently had about two-thirds of its assets invested in stocks, and Oppenheimer Capital Income Fund (OCIYX), which had a much more conservative 34% in stocks. In the week ended Feb. 9, the Fidelity fund shed about 3.7%, while the Oppenheimer fund was down about 2%.

Bonds probably won't perform as well in a period of rising rates. But they still can play an important role, says Todd Rosenbluth, CFRA's director of ETF and mutual-fund research, generating a stream of income and reducing overall portfolio risk.

Mr. Pollock is a writer in Ridgewood, N.J. He can be reached at reports@wsj.com .

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Tech Slide Hits Wide Swath of Investors

By Steven Russolillo
1,030 words
29 March 2018
The Wall Street Journal
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English

The clobbering that tech shares have taken in recent days has magnified not only how influential these companies have become in people's everyday lives, but how much sway they have gained in global stock markets.

Investors are concerned that the tech giants have grown so much and so fast in recent years that they now carry outsize weight. Combined, the five largest U.S. technology and internet companies account for more than 14% of the **S&P 500 index**'s weighting. Their rapid gains have come alongside heavy inflows into passive funds that track indexes like the **S&P 500**, leaving millions of investors susceptible to greater downside.

Tech shares came under more pressure Wednesday amid fears of increased regulatory oversight. The NYSE FANG+ Index -- which tracks 10 global tech heavyweights -- fell 2.4%, extending losses after suffering its worst one-day drop on Tuesday.

Major U.S. indexes continued to slump as well in another **volatile** session that saw the tech-heavy **Nasdaq Composite** slip 0.9% and underperform the **S&P 500** and **Dow Jones Industrial Average**, which posted modest losses. The **S&P 500** technology sector is down 6% so far this month.

Amazon.com Inc. and Tesla Inc., both components of the NYSE FANG+ Index, were among the weakest performers Wednesday. Amazon fell 4.4% and closed in correction territory -- off more than 10% from its March 12 high -- amid speculation that the White House wants to clamp down on the e-commerce giant's growing dominance.

White House press secretary Sarah Huckabee Sanders said on Wednesday that President Donald Trump wants "a level playing field "for all businesses but noted "there aren't any specific policies on the table at this time."

Tesla, meanwhile, slumped 7.7%, extending its Tuesday's tumble, amid an investigation into a fatal Tesla crash and following a Moody's Investors Service rating downgrade on the electric auto maker's debt. Selling in Tesla bonds also intensified, driving the price of its unsecured debt to new lows.

Facebook Inc. has been the worst performer among the big tech companies, falling 13% this year amid controversy over how it handles users' data. Chief Executive Mark Zuckerberg expects to testify before Congress about the company's privacy and data-use standards, in what would be his first public testimony before lawmakers.

Shares of Apple Inc. and Google parent Alphabet Inc. are also down for the year, faltering in recent weeks on concerns that tech firms face tighter regulation.

The declines illustrate a rapid shift in investor confidence in the sector, which until recently had been a reliable generator of big returns and a major driver of the market's run. It isn't yet clear whether the selloff marks a permanent shift from tech stocks' leadership of the market, or a temporary hit to the companies' reputations.

Up until recently "these. . .names have been as close as one can get to a stabilizing force in the market," said Mike O'Rourke, chief market strategist at U.S. brokerage firm JonesTrading.

Highflying companies including Microsoft Corp., Alphabet and Facebook were among the most widely held last year by institutional investors, such as pension funds and endowments, according to eVestment data. Apple Inc. and Amazon, technically a consumer stock, also cracked the top 10 in ownership breadth.

As of March 12, Facebook, Amazon, Apple, Microsoft and Alphabet accounted for 45% of the **S&P 500**'s year-to-date gain, he said, indicating just how central they have become to **stock index** moves.

The overall tech sector now has a 27% weight in the **S&P 500**, making it by far the largest component. Financial stocks, in second place, account for 17%, according to Thomson Reuters.

"Due to Facebook's privacy scandal, the tech-lash theme has been gaining momentum," Mr. O'Rourke said.

Plenty of investors remain confident tech companies can maintain strong growth rates.

Nearly 90% of U.S. tech companies beat consensus revenue estimates in the fourth quarter, noted Toni Sacconaghi, a tech analyst at Sanford C. Bernstein. That is the best beat rate for any sector and the highest for tech companies in the past five years.

Expectations for tech spending growth for 2018 were the highest in the 14-year history of a Bernstein survey of chief information officers.

The tech sector's growing clout isn't just a U.S. story. Tech stocks have become so dominant in emerging markets that for the first time since 2004, the industry last year overtook finance as the biggest sector in the MSCI Emerging Markets Index.

Tech had a 28% weighting near the end of 2017, more than double its level six years ago, according to data provided by MSCI.

Samsung Electronics Co. carries a roughly one-fourth weighting in South Korea's benchmark Kospi **stock index**. As the country's biggest exporter, it has fallen 4.4% this year, largely due to concerns about heightened global trade tensions.

Asia's most valuable company, Tencent Holdings Ltd., holds nearly a 10% weighting in Hong Kong's Hang Seng Index. Its share price is close to slipping into the red for the year after disappointing earnings last week and news that an early shareholder was selling a stake in the Chinese internet giant. A two-day selloff last week wiped out $52 billion of the company's market value.

Tencent's stock more than doubled last year, catapulting its market value above $500 billion.

The company's sheer size has prompted caution among some investors. Eric Moffett, a portfolio manager for T. Rowe Price in Hong Kong, said his fund has owned shares since he started managing it in 2014.

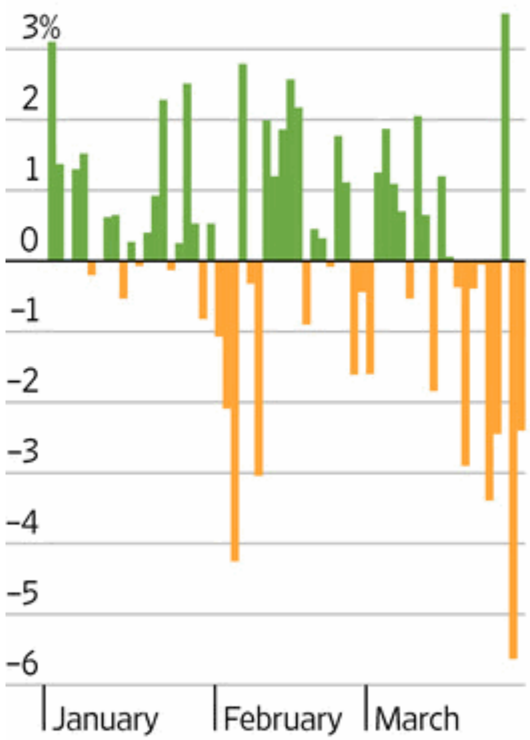
But the fund has sold some of it stake in Tencent for the past six months due to valuation concerns, he said. He said the shares, trading at 40 times projected earnings, look "priced for perfection" -- meaning investors expect flawless performance by the company. This can prompt sharp pullbacks, like the selloff seen last week.

Ben Eisen contributed to this article.

Sharp Bite

NYSE FANG+ Index, which tracks 10 of the biggest global tech stocks, fell 5.6% on Tuesday, its worst drop on record.

NYSE FANG+ Index, daily change



Source: Thomson Reuters

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Tech Worries Drag Down Stocks --- Prospect of increased oversight fuels declines in sector's big names and broader market

By Michael Wursthorn and Gunjan Banerji
1,102 words
28 March 2018
The Wall Street Journal
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A1
English

Technology stocks are suffering one of their worst beatings in years, as investors reassess a sector that has been considered the growth engine of the global economy but now faces the prospect of greater regulatory scrutiny.

The tech-heavy **Nasdaq Composite** Index fell 2.9% Tuesday. That selloff carried over to the broader market, where the **S&P 500 index** slumped 1.7%. The **Dow Jones Industrial Average** fell 1.4%, giving back some of Monday's 2.8% rebound.

U.S. Treasury yields also declined. Analysts said that reflected in part a move by some investors to reduce risk at the end of the quarter by selling stocks and putting that cash into bonds. **Bond prices** rise when yields fall.

But tech shares were hit the hardest, dragging down the broader market in the final hour of trading. A series of recent developments pointed to more government oversight of the industry.

Facebook Chief Executive Mark Zuckerberg is planning to testify before Congress about the social-media company's privacy and data-use standards, according to people familiar with the matter. The company's shares fell 4.9% on Tuesday and are down 15% this month over concerns about its handling of user data, on track for its worst monthly decline since 2012.

The Federal Trade Commission, in a statement Monday, signaled that it is conducting a broad probe of Facebook, while 37 state attorneys general are also demanding explanations for its practices.

Other social-media stocks also suffered, including Twitter, which fell 12% Tuesday after short-selling research firm Citron Research said that the social network was the most vulnerable to privacy regulation and that it was shorting shares of Twitter.

In a tweet, Twitter said it is "public by its nature. Tweets are viewable and searchable by anyone."

The S&P's worst performer was chip maker Nvidia Corp., which said it would temporarily halt testing of its driverless-car technology on public roads following the fatal crash of an Uber Technologies autonomous vehicle in Arizona. Nvidia shares fell 7.8%.

Moody's Investors Service also downgraded Tesla Inc. on Tuesday, pushing the car maker's debt deeper into junk territory as it bets heavily on ramping up production on its Model 3 sedan. The National Transportation Safety Board dispatched two investigators to examine last week's fatal crash of a Tesla electric car in Northern California and determine whether the vehicle's autopilot system was engaged. Tesla shares plunged 8.2%.

After powering the market higher in 2017, tech's dominance continued into this year. Shares of Amazon Inc., Netflix Inc. and other tech heavyweights were major contributors to the **S&P 500**'s January run-up. Tech stocks swelled to 25% of the **S&P 500 stock index** at the end of February, the highest percentage since the months after the dot-com bubble burst in 2000, according to data provider Morningstar Inc.

Now, mounting troubles at Facebook and Uber are clouding the industry's outlook. The entire group has come under scrutiny, especially after valuations have risen to their most expensive levels since just before the financial crisis last decade and **volatility** has increased. The **Nasdaq**'s 2.9% decline on Tuesday marked the fourth straight daily move of at least 2%, the longest such stretch since October 2011.

Shares of Facebook, Amazon, Apple Inc., Netflix and Google parent Alphabet Inc., commonly known by the acronym FAANG, have lost more than $260 billion in total market value over the past week and a half, as investors worry about the potential ramifications of new, costly regulations on those companies and others in the tech sector.

"Washington has been itching to get more intimately involved with our friends on the West Coast" -- the big tech firms, said Steven Chiavarone, assistant vice president and portfolio manager at Federated Investors. If tech companies "do stupid things and invite governments to regulate them more heavily, I won't know what that company is worth, but it'll be less."

It is a sharp reversal for a corner of the market that only a couple of months ago had been a reliable generator of big returns and a key factor behind major stock indexes' strong run last year.

Despite the recent declines, many investors continue to like the FAANG stocks and the broader tech industry. The sector is one of just two -- the other being consumer discretionary stocks, which includes shopper favorites like Macy's Inc. and Best Buy Co. -- to eke out a small gain so far this year. Investors also continue to move massive sums of money into those stocks, lending some support. They put roughly $1.4 billion into technology exchange-traded funds so far in March, according to Morningstar.

Investor activity in the options market also indicated that some investors may be positioning for an eventual tech rebound. An options gauge that measures the cost to protect against declines in PowerShares QQQ Trust, a tech-heavy exchange-traded fund, remains at low levels, Trade Alert data show. That suggests investors may not be paying up to hedge against tech declines.

The ratio of **bearish** options to **bullish** contracts on QQQ also remained below average Tuesday, Trade Alert data show.

"We haven't eliminated any of our bets," said Darren Bagwell, director of equity research and portfolio manager at Thrivent Financial. "We continue to have significant exposure to the FAANG stocks, and we continue to feel like those are the best relative values in the market."

Still, even investors like Mr. Bagwell admit the nearer-term outlook is murkier, likely stirring anxiety among those investors who bought shares of Facebook, Alphabet and others before the recent pullbacks.

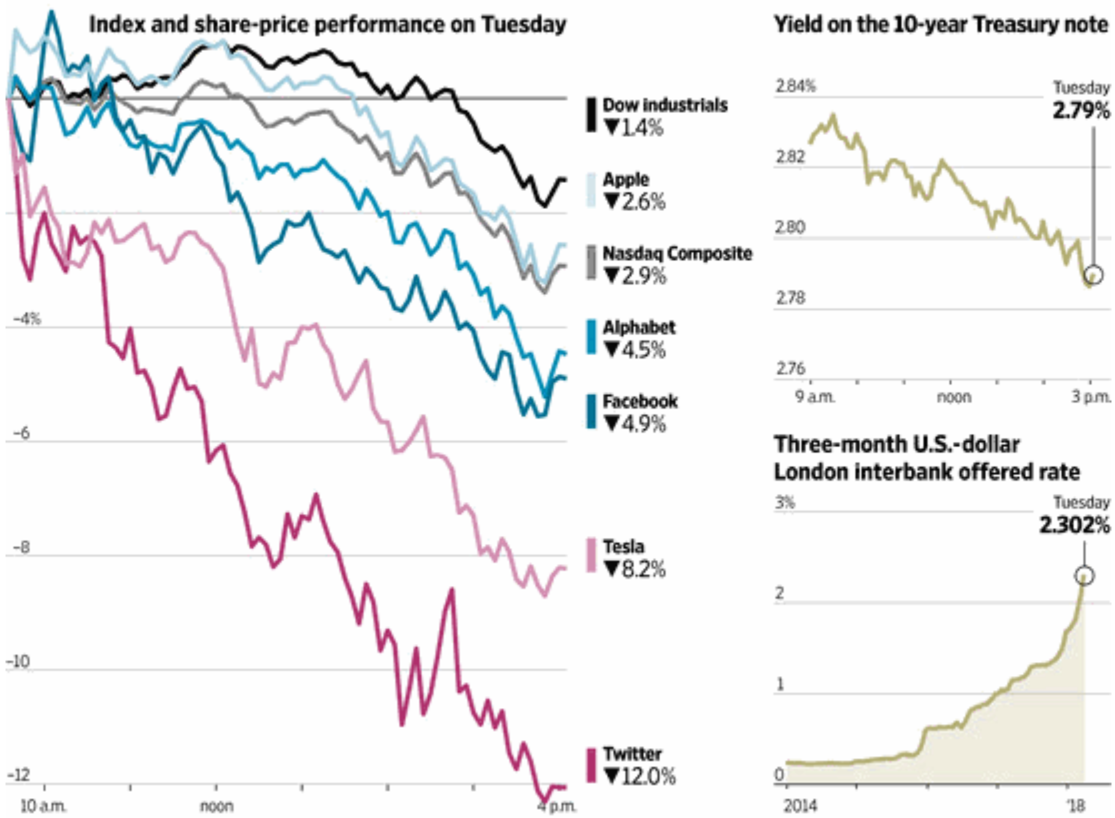
Flows into the biggest tech ETF showed signs of cracking, as investors pulled $1.2 billion from the Technology Select Sector SPDR exchange-traded fund during the February selloff, its heaviest month of outflows since October 2014, according to Morningstar.

The fund has 31% of its portfolio in shares of Apple, Facebook and Alphabet. Apple is its largest holding, at 14%. The fund has seen $288 million in outflows in the past week, according to FactSet.

"We're very nervous about what those stocks are going to do over the next six months," Mr. Bagwell said. "These have been easy trades for a long time. This makes it very difficult to trade those names."

Asjylyn Loder contributed to this article.

Tech shares sank Tuesday amid a series of setbacks for major firms and a broad retreat from risk. Long-term Treasury yields fell and short-term borrowing costs hit their highest level in a decade.



Sources: FactSet (indexes, stocks, yield); SIX Financial (Libor)

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Markets

The Unloved Retail Sector Is Quietly Attempting a Rebound; Shares of some brick-and-mortar retailers have outshined the S&P 500 this year, but gains are uneven in the sector

By Akane Otani
945 words
2 March 2018
05:07 PM
WSJ Pro Bankruptcy
RSTPROBK
English

After one of their toughest years ever, beleaguered U.S. retailers are enjoying a pickup in quarterly sales, helping to boost the shares of many brick-and-mortar operators even as the **stock market** stumbles this year.

The moves mark a partial respite for retailers, which have reckoned with sliding sales, record store closures and bankruptcy filings as consumers have increasingly shifted to shopping online. The bleak outlook led many investors to sour on the sector last year, sending shares of several department stores, including Macy's Inc., J.C. Penney Co. and Sears Holdings Corp., down by double-digit percentages, while the **S&P 500** knocked out a 19% gain.

But in recent weeks, a string of retailers has posted stronger-than-expected earnings, driven by a pop in holiday sales and further rounds of cost-cutting. That has helped spur a rally in shares of companies running everything including department stores, electronics chains and bargain outlets. The **S&P 500** department stores subindustry index has climbed 19% this year, while an **S&P 500 index** tracking the performance of electronics retailers has risen 6.7% and the broad **S&P 500** has gained 0.7%.

"Right now we're seeing the perfect scenario for retailers: high consumer confidence, relatively low expectations [around their performance] and stronger-than-expected consumer spending. When you put all these things together you have the retail earnings season in a nutshell," said Victor Jones, director of trading at TD Ameritrade.

To many, the retail sector's early gains are the latest indication that the consumer is on strong footing—something that bodes well for the broader economy. Investors and analysts closely monitor measures including employment, household wealth and consumer confidence, as consumer spending accounts for about two-thirds of the U.S.'s total economic output.

Recent data have mostly been encouraging, showing U.S. consumer confidence rising in February to its highest level since 2000, even after the **stock market** tumbled. Retail sales slipped in January, but some economists say the figures could pick up, especially with many workers starting to take home larger paychecks following the U.S. tax overhaul.

While the broader **stock market** has managed to rise for years even as many retailers lagged behind, investors and analysts say a pickup in shares of brick-and-mortar operators would be an encouraging sign that the economy is continuing to grow.

"It's good to see the consumer discretionary sector moving up, especially after it not being a leader for so long," said Lori Calvasina, head of U.S. equity strategy at RBC Capital Markets, adding that consumers are looking fairly strong.

Macy's is among the beaten-down stocks that are seeing a bounce. Shares jumped 3.5% Tuesday, bucking the **S&P 500**'s 1.3% decline for the day, after the retailer posted stronger sales over the holiday quarter and said it had signed a deal to sell part of its Chicago store. The stock is now up 21% for the year.

"We know consumers are out there, and it's up to us to win with them," Macy's Chief Executive Jeff Gennette said on the company's earnings call.

Discount apparel retailer TJX Cos. also tore higher, with its shares rising 7% to a fresh 52-week high on Wednesday after strong holiday sales helped it beat analysts' estimates for fourth-quarter same-store sales. For the year, it is up 9.4%.

Dillard's Inc., the Little Rock, Ark.-based department store, surged 17% Tuesday after it reported earnings and revenue that topped analysts' expectations, while shares of Best Buy Co. jumped 4% Thursday, even as the **S&P 500** fell 1.3%, after the electronics retailer reported same-store sales surging in the holiday quarter as demand for videogames rose.

But not all retailers have shared in the recent gains. Within the **S&P 500** consumer discretionary sector, which includes dozens of retailers, as well as e-commerce giant Amazon.com Inc. and online streaming service Netflix Inc., nearly half the stocks are posting losses for the year.

Among the biggest laggards: Victoria's Secret parent L Brands Inc., whose shares have slid 28% this year as the company has struggled to reverse a decline in sales. The firm reported better-than-expected revenue for the fourth quarter Wednesday afternoon, but lowered its forecast for first-quarter profits, sending shares sliding.

Newell Brands Inc., the maker of food containers, Mr. Coffee machines and Elmer's glue, has fallen 14% in 2018 after having to lower earnings forecasts several times last year.

Despite a flurry of strong results, the **S&P 500** consumer discretionary sector is expected to post slower earnings growth than many of its counterparts. With nearly all results in for the latest quarter, earnings for the sector are expected to rise 9.1% from the year-earlier period, according to FactSet, below the 15% projected for the broader **S&P 500**. For the following quarter, earnings are expected to grow 6.6%, versus 17% for the **S&P 500**, according to FactSet.

The disparate gains in the sector have led some to caution that, once again, it pays to be picky within the retail space.

"Even though there's underlying strength in the data supporting the overall sector, you still have to be careful here," said TD Ameritrade's Mr. Jones.

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The New York Times

Strategies
Business Day
A Battle Over Trade Crashes the Bull Market's Birthday Party

By Jeff Sommer
1,379 words
9 March 2018
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NYTimes.com Feed
NYTFEED
English

Some birthday.

The **bull market** turned nine on Friday but any celebration was decidedly subdued.

On sheer numbers alone, the market seems to deserve much more. Born on March 9, 2009, in the depths of a major recession, this epic stock rally is now the second longest in modern history, turning $1 in stock investments into about $5 through its last peak on Jan. 26.

But that was then. The market has been erratic since late January. Already this year, it has moved up or down at least 1 percent on 17 days, most recently, with a gain on Friday. That's twice the tally for 1 percent moves for all of 2017.

From the standpoint of many investors, President Trump's decision to impose tariffs on aluminum and steel has made matters ever so much worse.

While the president's actual tariff announcement on Thursday wasn't as severe as it could have been, it still puts the country on a dangerous road, analysts said. "The odds of a really destructive trade war actually happening have ratcheted up quite a bit in the last few days," said David A. Rosenberg, chief economist and strategist at Gluskin Sheff in Toronto. It can't be eliminated as a possibility."

Inescapably, anyone familiar with basic economics and the history of the Great Depression needs to worry about the possibility of a trade war, said Edward Yardeni, an independent **stock market** analyst.

Mr. Yardeni, the author of a coming book, "Predicting the Markets: A Professional Autobiography," tried, gamely, to handicap the probability that trade tensions would turn virulent conflict and seriously damage the economy and the markets.

"This trade stuff isn't good in the short term, we can say that for sure," he said. "Beyond that, I can't predict very much with certainty because I don't really know how far the president is going with this and I'm not sure that he knows either."

That uncertainty puts investors in an awkward position.

It's not that the specific actions taken by President Trump — tariffs of 25 percent on steel and 10 percent on aluminum — will wreak global havoc. Steel and aluminum may not be important enough for that: They accounted for only 2 percent of American imports last year, or 0.2 percent of gross domestic product, as The Economist has pointed out.

Furthermore, on Thursday, Mr. Trump carved out exceptions even to this particular trade restriction. He said that for now, at least, he would not impose tariffs on Mexico and Canada, two of America's closest allies, pending renegotiation of the North American Free Trade Agreement, and might not impose them on Australia, either.

Still the president has begun what, if it continues, would be a colossal shift in longstanding United States policy. Instead of relying on multilateral institutions that have been pillars of world trade — and American power — since World War II, the president vowed to revise America's approach, stressing bilateral costs and benefits, and national security, very narrowly defined.

The Trump tilt has left many people flabbergasted.

Michael Froman, who served as United States trade representative in the Barack Obama administration, said he was troubled by this possible shift. “I don’t really know what it means to enter a global trade war” as government policy, he said on a conference call at the Council on Foreign Relations, where he is a distinguished fellow.

Serious people, he said, have tried to devise ways to “exit trade wars,” not start them. Mr. Froman pointed out that foreign governments — including close allies — have already prepared lists of American exports targeted for retaliation.

The European Union, for example, says it might begin with American products like Harley-Davidsons, Kentucky bourbon and blue jeans, and go on from there. Once such a process begins, it could spiral downward, with the tit-for-tat tariffs between America and its trading partners during the Great Depression a vivid historical lesson.

The implications are chilling, in the view of many strategists.

On Wednesday, for example, Marco Pirondini, head of United States equities at Amundi Pioneer in Boston, declared in a note to investors that President Trump had begun a “dangerous” and “risky” second phase of his economic agenda. The first phase, he said, “focused on tax cuts and deregulation” with “extremely positive” results for corporate earnings, many taxpayers and investors in the **stock market**.

Now, however, with the resignation of Gary D. Cohn, the president’s top economic adviser, who opposed Mr. Trump’s shift on trade, it is clear that Mr. Trump “is focused on changing trade relations as a means of reducing trade deficits and incentivizing U.S.-based production,” Mr. Pirondini said.

Many global companies will suffer, he said, adding that Mr. Trump’s policy is likely to be accompanied by “increasing inflationary pressures and margin pressure for corporations, and more **volatility** for equities.”

In an interview, he added that Mr. Trump was using “theatrical” methods to improve his negotiating position. That could have unforeseen negative consequences.

Mr. Pirondini said he did not expect that the president would actually embrace a full-scale trade war — which he defined as a contraction in global trade that exceeds any associated economic contraction. But he said Mr. Trump’s policy tilt might ignite a series of conflicts with America’s trade partners, to say nothing of the Asian giant that appears to be the real focus of Mr. Trump’s ire: China. Until trade tensions are resolved, he said, the **stock market** is likely to endure episodes of heightened turmoil.

As if the market needed more drama this year. Mr. Rosenberg of Gluskin Sheff says stocks have entered “a late-stage **bull market**.” Factors like rising interest rates, soaring debt loads, incipient inflation and stretched valuations have made equities vulnerable, he said.

The **stock market** is already in what, in Wall Street jargon, is correction territory: By Feb. 8, stocks had declined more than 10 percent from their Jan. 26 peak and haven’t recovered all their losses.

“There is a very good chance that we will have another 10 percent correction, below the trough that the market hit in February,” Mr. Rosenberg said.

By some definitions, a decline of 20 percent or more would end the **bull market**. That may be semantics, however. A **bear market**, in Mr. Rosenberg’s view, would be associated with a “pernicious and protracted decline.” Because the economy is reasonably strong — and stimulus from the recent tax cut has not had its full effect — stocks could rebound quickly, he said.

Whatever you call it, Mr. Rosenberg counsels prepare for a coming decline by raising the cash portion of their portfolios.

Many other strategists are more sanguine.

Ed Clissold, chief United States strategist with Ned Davis Research Group, said that a technical analysis of the market showed that it had “retested” important support levels. “Market breadth isn’t what we’d want to see,” he said, “and if the market remains choppy for a very long time, that will be a concern. But so far, so good.”

Laszlo Birinyi, an independent analyst who has weathered decades of crises, said, “I don’t think we will know how important these trade issues are for a long time, so it’s best not to pay too much attention to them. Many big events in the news — Brexit, the November election — set off panics but turn out to be fine for the **stock market**.”

Mr. Yardeni points to the benefits of the new tax law, which has nearly doubled Wall Street’s expectations for the earnings growth rate of the **Standard & Poor**’**s 500**-**stockindex**, to 19 percent from 10.

“That hasn’t all been factored into stock prices yet,” he said. “We may have to get through these trade issues first. But I don’t think the **bull market** is over yet.”

Follow Jeff Sommer on Twitter: @jeffsommer

Traders at the New York Stock Exchange on March 2, 2009. The Dow closed below 7,000. One week later, the **stock market** would begin its nine-year (and still counting, for now) bull run. | James Estrin/The New York Times

Document NYTFEED020180309ee3900899

Common Sense
Business Day
Facebook Falls From Grace, and Investors' Stock Holdings Tumble Too

By James B. Stewart
1,376 words
29 March 2018
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NYTFEED
English

Over the last half decade, few stocks have been more beloved by investors and Wall Street analysts than Facebook. No wonder: After a rocky initial public offering in 2012, it has rolled over one obstacle after another, including the shift to mobile computing and the rise of photo sharing. It delivered revenue and user growth that surpassed even the most optimistic projections.

By the end of last year, Facebook had 2.2 billion active users. Its stock rose 53 percent last year, single-handedly accounting for 3.7 percent of the 21.8 percent gain in the **Standard & Poor**'**s 500**-**stockindex**, according to S.&P. Dow Jones Indices. By early February, its market capitalization had surpassed $560 billion, making it the fifth most valuable company in the index.

By then Facebook alone accounted for nearly 2 percent of the **S**.**&P**. **500 index**, which means that anyone who owns a broad-based stock mutual fund or index fund probably owns Facebook shares. Sophisticated investors and institutions, too, have considerable exposure: Goldman Sachs analysts reported last month that Facebook was the second most widely held stock (after Amazon) by hedge funds.

Over 90 percent of Wall Street analysts covering the company deemed Facebook a "buy" in early February, even though, at $195 a share, its price-to-earnings ratio, a common valuation measure, was a lofty 35. (The average ratio now is about 24; historically, it has been about 15.)

It was, as Wall Street pundits like to say, "priced for perfection."

Whatever else can be said about Facebook's recent tribulations, this much is certain: Its situation is far from perfection.

After revelations that data harvested from Facebook may have been used to try to influence Britain's vote to leave the European Union and the United States presidential election, the social network giant faces multiple investigations in both Europe and the United States, along with potentially profit-crimping regulations and limits to its use of data. And investor retribution has been swift.

Since hitting its peak on Feb. 2, Facebook has lost an astonishing $100 billion in market capitalization. Its stock was trading midweek at close to $153 a share, a decline of nearly 22 percent. (It rebounded by about 4.5 percent Thursday and closed at $159.79.)

With Facebook's plunge, investor concerns have spread to other social media and internet stocks with lofty multiples, like the so-called FANG stocks — Facebook, Apple and Amazon, Netflix and Google — and Twitter. They accounted for more than 10 percent of the **S**.**&P**. **500** at their peak.

"People who own an index fund need to realize how important Facebook is, and how big a role it and the FANG stocks played in the market's rise," said Howard Silverblatt, senior industry analyst for the S.&P. Dow Jones Indices, who oversees statistical analysis for the **S**.**&P**. **500**. "The FANG leadership is faltering. Social media hasn't faced much regulation, and now there's a cloud hanging over those companies."

In the midst of past Facebook euphoria, few saw this coming. One that did was Aiera, a robot that uses artificial intelligence to make stock recommendations. Aiera, an acronym for artificially intelligent equity research analyst, put out a "sell" recommendation for Facebook last fall.

So did Brian Wieser, a senior analyst at Pivotal Research Group who covers media and internet companies. Although he was positive about the stock for most of its long climb, he downgraded Facebook to “sell” last summer based on regulatory and advertiser concerns and what he now considers “systemic management issues.”

Not only was it a lonely position, but “the stock went up and up,” Mr. Wieser told me this week. “But I thought the market was wrong, full stop.”

“I didn’t know what the catalyst would be, but at some point revenue growth had to slow and the margins go down,” he said. “There are practical limits. And I felt investors were looking at Facebook in much too positive a light. They just ignored all the bad things, and there were a lot of them.”

Then, when the news broke this month that a British firm, Cambridge Analytica, had used Facebook data for voter profiling, Mr. Wieser said, he thought it was “the most significant thing that had happened to Facebook since it became a public company.”

“Most people hadn’t given much thought to how their data is used,” he added. “But this really exposed the potential abuse. This is digital advertising’s original sin, and there’s going to be a reckoning that even now I don’t think most investors fully appreciate.”

The other Facebook skeptic, Aiera, can talk, but Wells Fargo — whose global internet analyst, Ken Sena, developed the robot along with Bryan Healey — wasn’t making its wunderkind available for interviews. But based on Aiera’s published comments, it issued its sell recommendation after analyzing the frequency of negative mentions in the media of Russia’s use of Facebook to influence the presidential election, as well as fundamental valuation and technical factors. (Aiera uses artificial intelligence to read and analyze a half-million pieces of data per day gleaned from the internet. It currently analyzes more than 1,600 stocks.)

Wells Fargo has stressed that Aiera remains in experimental mode, but one potential advantage is that it removes all human emotion from its analysis. Thus, Aiera was indifferent to the fact that nearly every other analyst had a buy recommendation on Facebook.

That included her putative master, Mr. Sena, who was thrust into the somewhat awkward position of explaining his own buy recommendation even as Aiera said sell.

When I spoke to him this week, Mr. Sena stressed that Aiera was a tool that could detect patterns and eliminate bias. “Aiera said election interference was a big deal, and it turned out it was a big deal,” Mr. Sena said. “But it’s not meant to supplant human judgments.”

He hasn’t changed his buy recommendation even though he agrees with Mr. Wieser that investors need to take threats of regulation seriously. “The conventional wisdom was that people don’t care that much about how their data is used,” Mr. Sena said. “They like the convenience of targeted advertising. But the level of public outcry over this is new.’’

“Facebook is going to have to do a lot of explaining,’’ he added. “I believe they have the capability and the technology to make the platform secure. But it’s going to distract from other initiatives investors are counting on for growth, like virtual reality and video content.”

Even so, Facebook’s decline has been so steep that even Mr. Wieser and Aiera may reassess their recommendations if they calculate that the stock has bottomed out.

When he last reiterated his sell recommendation, Mr. Wieser’s price target was $152. “I don’t want to be trigger happy on this,” he said. “It’s not clear yet what happens next. I want to fine-tune my thoughts before I revisit this.”

Aiera canceled her sell recommendation after the stock plunged. She hasn’t yet made a new recommendation. Of 45 analysts who cover Facebook, 41 currently have a “buy” or “overweight” recommendation, up from 39 a month ago.

Mr. Sena is even more **bullish** on Facebook than he was before, and hasn’t changed his price target of $230. “People are still glued to Facebook and Instagram,” he said.

Its price-to-earnings ratio is now just 28, barely above the market average, which makes it “the cheapest stock in our coverage area, and it has some of the best growth prospects,” he said. “There’s no way mathematically to justify a loss of more than $70 billion in market cap.”

* Facebook and Other Tech Companies Drag Down Stock Markets

* How Trump Consultants Exploited the Facebook Data of Millions

* Technology Companies Drag Stock Markets Down Again

Mark Zuckerberg’s company has lost $100 billion in market capitalization since hitting its peak on Feb. 2. | Drew Angerer/Getty Images | With Facebook’s plunge, investor concerns have spread to other social media and internet stocks. | Drew Angerer/Getty Images

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The New York Times

Business/Financial Desk; SECTB
Markets Mostly Higher As Facebook Sinks Again

By THE ASSOCIATED PRESS
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21 March 2018
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Stock indexes finished mostly higher after a day of bouncing around Tuesday as retailers, energy companies and banks recovered some of their losses from the day before, but technology companies struggled as Facebook dropped again.

Amazon led a rally among retailers, and it passed Alphabet, Google's parent, as the second most-valuable U.S.-listed company, while energy companies rose with **oil prices**. Banks rose along with interest rates as the leaders of the Federal Reserve met. They are expected to raise interest rates on Wednesday.

Facebook sank following reports that the Federal Trade Commission will investigate its handling of user data while authorities in the U.S. and U.K. demanded answers from the company. That came after reports that Cambridge Analytica, a data mining firm working for President Donald Trump's campaign, improperly obtained data on 50 million Facebook users without their permission.

While Facebook stock regained a portion of its losses at the end of the day, it has fallen more than 9 percent this week. Social media companies Twitter and Snap also fell as investors considered the possibility that the government will pass new laws affecting their businesses.

"We don't know what's in store for an industry that isn't really regulated," said Samantha Azzarello, global market strategist at JPMorgan Exchange Traded Funds.

The gainers Tuesday were mostly larger companies, which suffered the biggest losses Monday. Smaller companies struggled and more stocks fell than rose on the New York Stock Exchange.

After a drop of 1.4 percent Monday, the **S&P 500 index** rose 4.02 points, or 0.1 percent, to 2,716.94. The **Dow Jonesindustrial average** gained 116.36 points, or 0.5 percent, to 24,727.27. The **Nasdaq composite** rose 20.06 points, or 0.3 percent, to 7,364.30. The Russell 2000 index of smaller-company stocks dipped 0.16 points to 1,570.41.

Amazon jumped $41.58, or 2.7 percent, to $1,586.51 and Best Buy picked up $1.51, or 2.2 percent, to $70.04. Industrial companies including Caterpillar recovered much of their losses as well. Some major technology companies including Apple, Microsoft and Nvidia moved higher after significant drops a day ago.

Facebook lost $4.41, or 2.6 percent, to $168.15. The drop in the last two days is the worst for Facebook in two years, and it knocked Facebook from its perch as the fifth most valuable publicly traded company in the U.S. Warren Buffett's Berkshire Hathaway conglomerate, which owns insurance companies and railroads among many others, moved ahead of Facebook.

Other social media companies also sank: after sharp losses Monday, Twitter plunged $3.63, or 10.4 percent, to $31.35 and Snap lost 42 cents, or 2.6 percent, to $16. Alphabet, which fell 3 percent Monday, lost another $427 to $1,095.80.

Investors were disappointed with Oracle's third-quarter report. While the company announced a bigger profit than analysts expected, they were less impressed once items like lower tax rates and stock repurchases were excluded, and its sales were lower than Wall Street had forecast. The company's forecast for the fourth quarter also came up short of estimates. The stock dropped $4.90, or 9.4 percent, to $47.05.

The Federal Reserve's leaders began a two-day policy meeting that is expected to result in another interest rate increase on Wednesday. The Fed has said it expects to raise interest rates a total of three times this year, and one of the key debates on Wall Street is whether it will wind up increasing rates three times or four. The current meeting is the Fed's first since Jerome Powell became chairman, and investors will be watching his comments at a press conference Wednesday afternoon.

"Markets right now are hypersensitive to the Fed," said Azzarello of JPMorgan. She said the Fed is trying to communicate clearly with investors and it won't rush to raise interest rates.

Bond prices fell. The yield on the **10**-**year Treasury** note rose to 2.89 percent from 2.85 percent. When yields rise, it allows banks to charge higher interest rates on loans including mortgages.

Banks and other financial companies rose, while companies that pay large dividends, including phone and utility companies, moved lower. Those stocks tend to fall out of favor with income-seeking investors when bond yields rise.

Benchmark U.S. crude rose $1.34, or 2.2 percent, to $63.40 a barrel in New York. Brent crude, used to price international oils, gained $1.37, or 2.1 percent, to $67.42 per barrel in London.

Wholesale gasoline gained 4 cents to $1.97 a gallon. Heating oil added 4 cents to $1.95 a gallon. Natural gas picked up 2 cents to $2.68 per 1,000 cubic feet.

Gold fell $5.90 to $1,311.90 an ounce. Silver fell 14 cents to $16.19 an ounce. Copper lost 4 cents to $3.04 a pound.

The dollar rose to 106.46 yen from 105.97 yen. The euro fell to $1.2253 from $1.2357.

Germany's DAX added 0.7 percent and the CAC 40 in France gained 0.6 percent. Britain's FTSE 100 closed 0.3 percent higher. Japan's benchmark Nikkei 225 lost 0.5 percent while South Korea's Kospi edged up 0.4 percent. Hong Kong's Hang Seng inched up 0.1 percent.

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This is a more complete version of the story than the one that appeared in print.

CHART: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Tuesday. (Source: Reuters)

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THE WALL STREET JOURNAL.

Markets

Stocks Still Have Momentum as Aging Bull Market Turns Nine; Corporate earnings look strong enough to support more market gains, though returns aren't likely to top last year's

By Akane Otani
706 words
9 March 2018
The Wall Street Journal Online
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English

The **bull market** turns nine years old Friday, extending an epic run for U.S. stocks even as concerns about heightened **volatility** and inflation have slowed the pace of the rally in recent weeks.

It has been 2,266 trading days since stocks hit their financial crisis trough on March 9, 2009. In the years that have followed, corporate profits have regained their footing, while the unemployment rate has fallen to 17-year lows and the pace of global economic growth has accelerated.

The **S&P 500** has more than quadrupled over that period—making its bull run, defined as a gain of 20% or more from a low point, the second longest in U.S. history. The **Dow Jones Industrial Average** is up 280%, while the **Nasdaq Composite** has surged 486% over that time.

Yet even as stocks have repeatedly defied investors' expectations, the **bull market** has been called "unloved," or even the "most hated rally ever," reflecting investors' widespread disdain for shares that look pricey, gridlock in Washington and—more recently—the threat of trade wars casting a shadow on corporate earnings growth.

"It's going to be a hard slog, certainly compared to the previous nine years," said John Velis, a macro strategist at State Street Global Markets. Still, Mr. Velis said, it is tough to argue that the end of the bull run is imminent.

Corporate earnings look strong enough to continue supporting further stock gains, investors say, even as the Federal Reserve pares its bondholdings and raises short-term interest rates from near historic lows.

With nearly all results in for the latest quarter, companies in the **S&P 500** are on track to report earnings growth of 15% from the year-earlier period, according to FactSet, the fastest pace since 2011 . Many analysts expect the gains to continue in the coming quarters, thanks in part to savings from corporate tax cuts, a weaker U.S. dollar and stabilizing commodity prices.

The exuberance that characterized the height of previous market rallies, like the dot-com bubble , also seems long gone: While a fervor for technology stocks drove individual investors to scoop up shares of companies like the now-infamous Pets.com and eToys en masse at the turn of the century, sentiment among individuals has been more muted since.

Roughly 26% of individuals think the **stock market** will rise over the next six months, according to a weekly survey conducted by the American Association of Individual Investors, below the long-term average of 39% and below the 75% they hit in January 2000, shortly before the height of the tech bubble. The contained enthusiasm for stocks has reassured investors who believe market tops are often preceded by euphoric risk-taking.

Still, even with earnings continuing to point to strength among U.S. corporations, many agree that it will be difficult for the market to top its returns from 2017, when an unusually calm streak of trading lifted shares world-wide to multiyear highs.

The **S&P 500** is up 2.4% for the year, after sliding into correction territory —a fall of 10% from its Jan. 26 all-time high—in February and logging its biggest monthly decline since March 2016. The **Dow Jones Industrial Average** has risen 0.7%, while the **Nasdaq Composite** is up 7.6%.

The moves have come amid a resurgence in **volatility**: The **S&P 500** only notched eight daily moves of 1% or more in all of 2017, but the broad index has closed up or down at least 1% on 16 occasions so far this year.

Investors can no longer take for granted the backdrop of low interest rates, steady growth and muted inflation that helped stocks extend their multiyear highs into early 2018.

"We got so spoiled last year, when you could have practically bought anything and it went up," said JJ Kinahan, chief market strategist at TD Ameritrade. "This year, there's no truly safe place to be."

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THE WALL STREET JOURNAL.

Markets

Why the Strong Economy Is a Poor Predictor for the Stock Market; The stock market usually tops out well before the economy slips into a recession

By Mark Hulbert

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4 March 2018
10:12 PM
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English

A month ago, when the stock market suffered its first correction—a 10% drop—in years, many found comfort in the economy's apparent strength: Surely a severe bear market can't begin when the economy is growing so strongly?

Their argument provides false comfort, however, since the stock market usually tops out well before the economy slips into a recession. And by the time you know the economy is in a recession, odds are overwhelming that a bear market (which is confirmed when stocks drop 20% from the high) will have long since begun.

To measure how far in advance of a recession a bear market typically begins, I compared the recession calendar compiled by the National Bureau of Economic Research—the semiofficial arbiter of when recessions begin and end in the U.S.—with a bear-market calendar maintained by Ned Davis Research, the Venice, Fla., quantitative-research firm. Of the 22 recessions since 1900, 20 have coincided with a bear market and the average lead time of those bear markets was eight months.

120-year lesson

An interesting, but separate, topic for discussion would be why those other two recessions weren't accompanied by a bear market. They occurred from October 1926 to November 1927 and from February to October 1945. But if we assume that they are exceptions that prove the rule, the lesson of the past 120 years is that the economy likely will continue to grow for at least two quarters after a bear market begins.

To be sure, there is wide variability in the lead time previous bear markets have had before recessions. Some have begun more than a year in advance, while others have begun at almost the same time as the recession. But, crucially, none of the 20 bear markets that coincided with post-1900 recessions began after the economy had started contracting.

Assuming the future follows past patterns, therefore, stock-market bulls shouldn't be basing their bullishness on current economic activity. This advice becomes even more compelling when we realize that we typically don't know how the economy is performing in real time, but rather only well after the fact.

Consider the 2008-09 financial crisis. When the stock market topped out on Oct. 9, 2007, the economic news was still largely favorable. On Oct. 31, the government released its advance estimate of economic growth in the third quarter of that year, reporting that gross domestic product had grown at an annual rate of 3.9%, up from 3.8% in the second quarter.

It wasn't until two months later, in December 2007, that the economy began its recession, according to the National Bureau of Economic Research. But the bureau didn't make that determination until a year later, in December 2008. So in this case, a bear market began two months before the economy started contracting, and 14 months before the NBER made that start date official.

If the discussion ended here, you might conclude that bear markets are a good forecaster of an imminent recession. And that does stand to reason, since the stock market is a discounting mechanism that anticipates what is coming down the pike. That's why the S&P 500 is one of the indicators included in the Leading Economic Index compiled by the Commerce Department's Bureau of Economic Analysis.

False positives

However, the **stock market** issues many so-called false positives, signaling a recession when none occurs. Since 1900, for example, there have been 36 bear markets, according to the Ned Davis calendar, but only 22 recessions. There have been countless more **stock-market** corrections of at least 10% that didn't end up turning into a **bear market**. The late Paul Samuelson, a Nobel laureate in 1970, was quite close to the mark when he famously said that the **stock market** had predicted nine of the last five recessions.

The two most recent bear markets on the Ned Davis calendar were each false positives: the one that lasted from April to October 2011 and the one that ran from May 2015 through February 2016. To be sure, some may not consider these two declines as genuine bear markets, since the **Dow Jones Industrial Average** and the **S&P 500** didn't drop 20% based on their daily closing levels.

That may be splitting hairs, however. In the first of those markets, the **S&P 500** did fall by more than 20% on an intraday basis. And the Russell 2000 index, a widely used proxy for the small-cap sector, dropped 25% in the 2011 **bear market** and 24% in the more recent one.

Yet in neither of these bear markets did the economy experience even one quarter of economic contraction, much less the two in succession that the NBER uses as its criterion of a recession.

None of this discussion should be taken to mean that the **stock market** doesn't care about the economy, or that the economy is immune from the wealth effects of a **bear market** in stocks. But it is surprisingly difficult to translate these undeniable truths into actionable investment advice.

Mr. Hulbert is the founder of the Hulbert Financial Digest and a senior columnist for MarketWatch. He can be reached at reports@wsj.com .

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THE WALL STREET JOURNAL.
U.S. EDITION

Billions Flow Into Tech-Focused Funds --- Addition of $5 billion this year bolsters the market but worries rise over valuations

By Michael Wursthorn
795 words
16 March 2018
The Wall Street Journal
J
B12
English

Investors are increasing their bets on shares of technology companies, renewing concerns that the market is becoming too dependent on a few big stocks to power its gains.

Nearly $5 billion has poured into tech-focused stock funds so far this year, the most of any major sector, according to Thomson Reuters Lipper data. That figure represents nearly half of what the group pulled in for all of 2017. In January alone, tech funds received $3.9 billion in inflows, the most in a single month for such funds since March 2000 -- the peak of the dot-com bubble.

Tech shares have gained 13% since major indexes fell into correction territory on Feb. 8, compared with a 6.4% gain for the **S&P 500 index**.

Some investors worry that valuations for blue-chip tech stocks such as Amazon.com Inc., Google parent Alphabet Inc. and Netflix Inc. could become stretched as more money flows into the sector. Amazon, for example, trades at 161 times its forward earnings over the next 12 months, while Netflix is changing hands at 106 times, according to FactSet. For the **S&P 500**, that metric is at 17.

Tech stocks have already enjoyed a huge run-up in prices over the past several years, and some investors may unload those shares to protect their gains, analysts said. With the **S&P 500 index** increasingly supported by the biggest tech companies, any selloff in the sector could drag down the index with it.

"Investors tend to want to be in the names with the best growth and best visibility," said Michael Balkin, a portfolio manager with fund company William Blair. "It's been a worry for a while."

A half-dozen tech companies are responsible for much of the **S&P 500**'s gains so far this year: Microsoft Corp., Apple Inc., Cisco Systems Inc., Nvidia Corp., Alphabet and Adobe Systems Inc. Including online retail giant Amazon and streaming service Netflix, both of which are tech companies that sit among other consumer-discretionary stocks, those eight companies have contributed more than half of the **S&P 500**'s gains in 2018.

"It's really only a few companies in tech that lead the rally," said Jon Mackay, investment strategist at Schroders. "The others haven't done so well."

Major stock indexes rapidly declined last month, jolting investors who had grown accustomed to the market's calm, steady rise. The **Dow Jones Industrial Average** and the **S&P 500** tumbled more than 10% in early February in what was the worst month in more than two years for the two major indexes.

Stocks have moved wildly since then, and major indexes have managed to recoup much of their losses, thanks in large part to tech stocks. Firms tied to technology in the **S&P 500** have risen more than 10% this year, the best performers of the broad index's 11 major sectors, and largely on the back of the group's biggest companies.

While the selloff was broad during the worst of last month's pullback, outflows among value stocks, or shares of companies that generally generate steady profits when the economy slows down, exacerbated the declines. Roughly $3.9 billion has been pulled from real-estate-focused funds so far this year, more than $900 million from utilities funds and about $326 million from energy-related funds, according to Lipper's data.

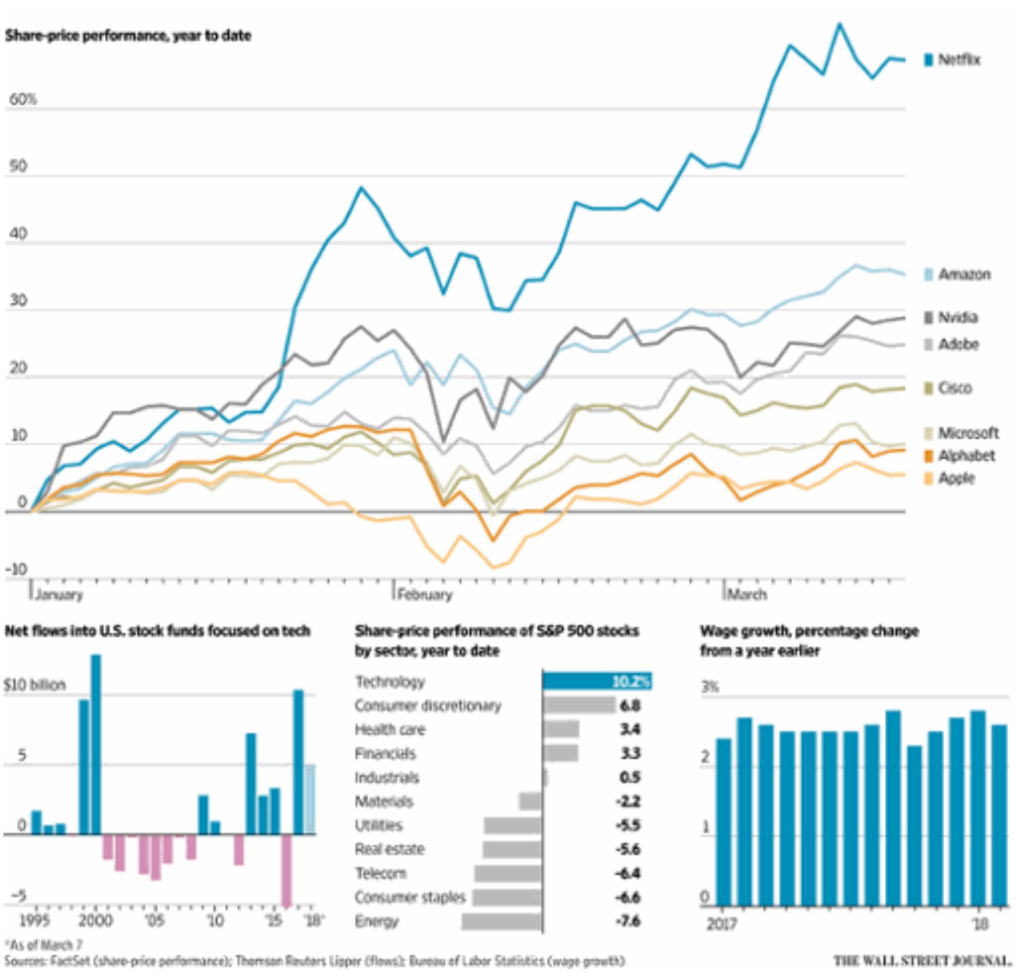
Some active managers are looking at stocks beaten down by the return of volatility. "Value investing has been a little bit harder than it has been in the past because there's more uncertainty attached to it," said Thomas Digenan, head of U.S. Intrinsic Value Equities at UBS Asset Management. "That's where the returns come from."

But many investors continue favoring tech -- especially after companies such as Microsoft and Amazon reported strong earnings -- as they try to gauge whether the historic upswing is nearing its end, money managers say.

Investors continue embracing stocks when the Trump administration's plan to impose tariffs on steel and aluminum is stirring up volatility in industrial sectors. Shares of manufacturers that use steel and aluminum have reeled, as investors yanked hundreds of millions of dollars from those stocks, according to Lipper.

Tech has fared better, but if the Trump administration proceeds with additional tariffs, such as potential sanctions against China, those stocks -- especially shares of chip makers -- will suffer, some analysts added.

"It's buying blindly," William Blair's Mr. Balkin said of investors snapping up tech stocks. "Once the flows reverse, [those stocks] can drop very quickly."



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THE WALL STREET JOURNAL.

U.S. Markets
Markets
U.S. Stocks Fall Again as Dow, S&P 500 Snap 10-Month Winning Streaks; Investors continue to weigh the impact of higher interest rates on the nearly nine-year bull market

By Amrith Ramkumar and Jon Sindreu
923 words
28 February 2018
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The Wall Street Journal Online
WSJO
English

The **Dow Jones Industrial Average** and **S&P 500** fell for the second straight session, ending February lower and snapping their 10-month winning streaks as investors continued to weigh the impact of higher interest rates on the nearly nine-year **bull market**.

Although stocks around the world have recovered a chunk of their losses from a big selloff that sent the **S&P 500** and Dow into correction territory on Feb. 8, February was the worst month by percentage decline since January 2016 for the two indexes. After a record-setting start to the year, a raft of misfired bets on market calm and interest-rate concerns have helped spark **volatility**.

Some investors have said declines are a buying opportunity, with global earnings and the economic backdrop looking stronger than they have in years. Others aren't so sure, though, fearing a pickup in inflation might encourage central banks to tighten monetary policy more quickly than anticipated.

"I think what we're going to see is something of a tug of war between those different forces," said Kristina Hooper, chief global market strategist at Invesco. "That is likely to continue for some time."

The Dow closed down 380.83 points, or 1.5%, at 25029.20, after earlier rising as much as 166 points. The **S&P 500** fell 30.45 points, or 1.1%, to 2713.83 and the **Nasdaq Composite** declined 57.35 points, or 0.8%, to 7273.01.

For the month, the blue-chip index fell 4.3% and the **S&P 500** declined 3.9%, while the **Nasdaq** ended down 1.9%.

Stocks opened higher Wednesday as official data showed that U.S. economic growth had been revised downward in the fourth quarter of last year, in line with what economists expected. But markets turned lower at midday, and losses for all three indexes accelerated in the final hour of trading for the second consecutive session.

Other risky investments such as oil also fell, while a measure of expected swings in the **S&P 500**, the Cboe **Volatility** Index, rose. U.S. crude fell 2.2% to $61.64 a barrel and was down 4.8% in February.

The moves came after new Federal Reserve Chairman Jerome Powell's upbeat assessment of the economy a day earlier had pushed the yield on the benchmark 10-year U.S. Treasury note back near a four-year high and sent the **S&P 500** and Dow down more than 1%.

Some analysts think Mr. Powell's tenure will be marked by higher market uncertainty. The **S&P 500** had 12 trading days with moves of at least 1% in either direction in February, its most since January 2016.

Roughly 35% of investors now expect that the Fed will raise interest rates at least four times this year, compared with about 28% a week ago, according to CME Group data. The central bank has previously projected three rate increases for this year.

"People were so certain about the future a few months ago, you now have uncertainty about what growth and inflation will do," said François Savary, chief investment officer at Geneva-based advisory firm Prime Partners, who has taken some risk off his holdings in recent months. "Suddenly people realize we are moving into the late stage of the economic cycle."

On Wednesday, the **10**-**year Treasury** yield edged down to 2.870% from 2.910% Tuesday. Yields fall as prices rise.

A key issue that analysts are grappling with is the economic impact of President Donald Trump's tax cut. Stock markets initially reacted positively to the new tax law—which is seen as a boon for corporate earnings—but investors are now treading more carefully. They fear additional spending while unemployment remains at multiyear lows will stoke inflation.

The Fed's Mr. Powell suggested Tuesday that fiscal stimulus was one of the reasons that could drive the Fed to lift rates faster.

This could mean ending a two-year stretch dubbed the "goldilocks phase," when stocks were boosted by a combination of improving growth and low inflation expectations, said Stéphane Monier, chief investment officer at Lombard Odier Private Bank.

"We go to a phase we call 'overheating,'" added Mr. Monier, who thinks stocks can still deliver sizable returns this year, but with greater bouts of **volatility**.

Among individual stocks, Amazon.com shares rose 47 cents, or less than 0.1%, to $1,512.45 after reports that the e-commerce giant has acquired Ring, a maker of video doorbells, in a deal valued at more than $1 billion.

Lowe's was among the biggest decliners after the home-improvement chain reported weaker-than-expected fourth-quarter results. Its shares fell 6.20, or 6.5%, to 89.59.

Elsewhere, the Stoxx Europe 600 declined 0.7%. Utility stocks, considered to be bond proxies because of their steady dividends, were among the worst performers. For the month, the index fell 4%.

Write to Amrith Ramkumar at amrith.ramkumar@wsj.com and Jon Sindreu at jon.sindreu@wsj.com

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The New York Times

Business Day
Stock Markets Are Scary. Suddenly, It's a Good Time to be a Trader.

By Landon Thomas Jr.
1,228 words
8 March 2018
05:00 AM
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NYTFEED
English

Inflation scares. Trade wars. Rising interest rates.

Suddenly, it is a scary time to be an investor — but a great time to be a trader.

After nearly a decade of calmly climbing stock markets, a period during which algorithms and index-tracking funds reigned supreme, newly **volatile** markets and the return of a little bit of fear have given new life to an old Wall Street creature: the swaggering risk-taker.

Hedge funds, after years of poor performance and rich fees that led to questions about the viability of the industry's business model, are finally beginning to perform better. Having steered clear of increasingly pricey stocks, so-called value investors, who make long-term wagers on undervalued companies, are getting back into the game. And as the volumes of buying and selling spike, traders at Wall Street banks who were relegated to the sidelines in recent years are hoping for a return to the days of easy profits.

So far, it's unclear which firms have been able to capitalize on the market turmoil and to what degree. But Wall Street firms are licking their chops.

Volatility and uncertainty: "We're in that business," said Marty Chavez, the chief financial officer of Goldman Sachs, speaking on a recent conference call with analysts.

After a year in which a 1-percent move, up or down, in the **Standard & Poor**'**s500 stockindex** was a rarity, 2018 has featured stomach-churning market swings on a regular basis. Monday was a good example. Stocks plunged initially on news that Gary Cohn, President Trump's top economic adviser, had resigned, only to recover those losses by the end of the day.

"We are seeing extreme **volatility** here — it is the Goldman Sachs business model," said Adam Sender, the founder of Sender Company & Partners, a hedge fund the specializes in making quick bets in up-and-down markets. "Things are moving around like crazy — the opportunities are tremendous."

Mr. Sender was so frustrated by the long period of markets grinding higher, absent any sharp moves, that he simply stopped trading last November and took a three-week tour of Sweden, Iceland and Japan.

"It made me sick looking at my screen all day," he said. "I felt I was wasting time."

No longer. On a day last week when stocks plunged, Mr. Sender was in and out of the market all day — buying a stock here, betting it would fall there.

Of course, a choppy, fun-to-trade market could easily turn ugly if the economy suddenly slows or a trade war erupts with China, to name just two risks. And these days of roiled markets might not last, or the **volatility** could grow so severe that traders seeking to profit from the turbulence are instead capsized by it.

After the **stock market** plunged in early February, Charlie McElligott, a derivatives strategist at Nomura, said that his clients were eager to put on trades that would capitalize on increased **volatility**.

But by last week, when markets plunged again, many of those same investors had had enough. They sold their shares in a panic, trying to cut their losses. "It is the second sell-off that scares you — there has been a change in psyche," Mr. McElligott said. "People were burned when they bought the dip."

Investors who make bets on stocks, currencies and bonds based on where they think the overall economy is headed argue that the recent market spasms are healthy, if nerve-rattling, for the financial system.

That is because a **stock market** that goes up for 15 consecutive months, as the **S**. **& P**. **500** did before its streak was broken in February, lulls investors into a false sense of security. When that happens, investors largely remove the prospect of losing money on an investment from their calculations.

Traders say that much of the selling in recent weeks has come from funds that gambled that markets would remain calm. When they instead became **volatile**, the funds — many of them programmed to automatically buy or sell based on computer-driven strategies — started selling en masse. The clearest manifestation of the heightened **volatility** is an index known as the VIX, whose levels have doubled in recent months.

“The machines had taken control — now they are selling everything,” said Philippe Jabre, founder and chief investment officer of Jabre Capital in Geneva, which manages $1.5 billion in assets.

Mr. Jabre made his name as a hedge fund investor in the 1990s, a time when markets were turbulent and unpredictable. He pointed out that higher **volatility** does not necessarily mean lower markets; they are just more challenging to navigate. That was why he got into the business in the first place. “We have made our name in these up-and-down cycles,” he said. “Things are more interesting today because we are more nimble and we can find great picks.”

Over the last several years, there has been a vast migration of investor money — more than $1 trillion, analysts estimate — from funds run by stock pickers to those, such as exchange-traded funds, or E.T.F.s, that are designed to track major market indexes.

Suddenly, funds that have human beings in charge of investment decisions are looking more attractive to anxious investors.

“Last year, people were saying, ‘Why am I paying all this money to a hedge fund? I can just buy an E.T.F.,’” said Said Haidar of Haidar Capital, a hedge fund in New York with $440 million under management. “But with all this **volatility**, you might want someone who can trade around these markets.”

In other words, investors are now looking for hedge funds — investment vehicles that engage in a wide range of trading, including making bets that markets will fall — to actually live up to their names and offer protection, or hedges, against falling stock markets. That could mean, for example, buying stocks that didn’t benefit from the **bull market** and thus are less likely to fall as sharply as the broader index.

That is the strategy being followed by Thomas H. Forester, chief investment officer for Forester Capital Management in Chicago.

His fund used to manage $250 million. It’s now down to $40 million. When markets seem to go up forever, the very idea of protecting your downside, thus missing out on returns, seems foolish to many — and that was what Mr. Forester was doing.

In the past month, though, Mr. Forester’s phone has started ringing. Wary investors want to give him their money, and he is finally seeing stocks that might be cheap enough to buy.

“We are no longer watching reruns,” Mr. Forester said, referring to the **stock market**’s regular rise each year. “Your stomach starts churning, it’s more dicey — but it is a lot more fun.”

* Day Trading in Wall Street’s Complex ‘Fear Gauge’ Proliferates

* **Volatility** Rattles Stocks, and Investors Who Bet on a Continuing Calm

* At BlackRock, a Wall Street Rock Star’s $5 Trillion Comeback

* Political Turmoil Is High, but Wall Street’s Fear Gauge Is Very Low

Stomach-churning market swings have become commonplace this year after a long run of steady climbs. In that **volatility**, traders see opportunity. | Richard Drew/Associated Press

Document NYTFEED020180308ee38002uz

The New York Times

Business Day
Technology Companies Drag Stock Markets Down Again

By Matt Phillips
647 words
27 March 2018
05:04 PM
NYTimes.com Feed
NYTFEED
English

Technology stocks helped propel the nine-year **bull market**. Optimistic investors piled into the shares, hoping to grab a piece of the profits from industries such as social media, autonomous driving, video streaming and artificial intelligence.

Now, that confidence is evaporating.

Investors pummeled technology company stocks again on Tuesday, knocking the **Standard & Poor**'**s 500**-**stockindex** down 1.7 percent. The **Nasdaq composite**, laden with technology stocks, sank 2.9 percent after a flurry of bad news about specific companies metastasized into a broad retreat from technology stocks.

The sell-off was ignited when the chip maker Nvidia said it was suspending tests of its self-driving car technology after an autonomous Uber vehicle struck and killed a pedestrian in Tempe, Ariz., last week. Nvidia has made supplying chips to self-driving vehicles a major part of its growth strategy, and Uber had selected Nvidia to outfit its fleet.

The news sent Nvidia shares plunging 7.8 percent, the sharpest decline of any company in the S.&P.

Shares of Tesla, a maker of electric-powered vehicles, also were in free fall, plunging 8 percent plunge after the National Transportation Safety Board said it was investigating a fatal crash last week involving a Tesla vehicle in California. The board said it was unclear whether an automated driving system was operating at the time of the crash.

The investigation adds to the financial pressure Tesla is already facing, as it burns through cash and struggles to accelerate production of its Model 3 electric vehicles. Citing those challenges, Moody's Investors Service downgraded its rating on the company's bonds after markets closed Tuesday.

Across the technology industry, investors are suddenly anxious that intensified regulatory scrutiny is going to hurt profits and therefore stock prices. That spells trouble for the markets because tech companies have long been investor favorites. Facebook, Amazon, Netflix and Google's parent company, Alphabet, have delivered some of the best returns to investors in recent years.

Those days are gone.

Facebook shares have become an investor punching bag, beaten up over worries that the social network became a tool for Russian interference in the 2016 election and has not adequately safeguarded its customers' data. After enduring a sharp slide over the past month, Facebook's shares fell another 4.9 percent Tuesday amid reports that Mark Zuckerberg, the company's chief executive, would testify before Congress about the way the firm manages customers' data. Roughly 18 percent of Facebook's market value has been erased in the past two weeks.

Most of the major technology companies were big losers Tuesday. Netflix fell 6.1 percent, its sharpest decline since July 2016. Alphabet and Microsoft both dropped 4.6 percent.

The hammering of technology stocks is only the most recent source of market turbulence. Since February, a diverse crop of worries — such as the prospects of central banks raising interest rates quickly and concerns of a trade war derailing the economy — have unnerved investors. After years of being placid, markets have been on a roller coaster, routinely rising or falling by more than 1 percent in a single day.

Because technology stocks until recently had been on such a tear, their recent stumbles are all the more painful for the broader markets.

Since the start of the **bull market** in March 2009, the price of tech shares has soared more than 460 percent. The overall S.&P. index, by contrast, has gained 290 percent.

The S.&P. and other indexes are weighted by the market values of their constituent companies. In 2009, the tech sector made up 17.5 percent of the **S**.**&P**. **500**. Today, that figure is more than 25 percent. As a result, the recent declines in the values of tech stocks have dragged the overall indexes down with them.

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THE WALL STREET JOURNAL.
U.S. EDITION

'Fear Gauge' Needle Pushes Into the Red

By Asjylyn Loder
345 words
23 March 2018
The Wall Street Journal
J
B11
English

Wall Street's "fear gauge" has hit a record-breaking bout of turbulence.

The Cboe **Volatility** Index, a measure that investors use to track the speed and severity of market moves, climbed 31% Thursday as U.S. stocks fell for a second consecutive day.

Stock-market reversals have made 2018 one of the most tumultuous on record for the **volatility** index, better known as the VIX.

The gauge has surged by more than 20% six times this year, sending the Cboe VIX of VIX index, which measures moves of the VIX itself, to a record during the quarter.

The VIX of VIX has averaged 113.73 this year, the highest quarterly average in Cboe data going back to 2007.

The VIX uses options on the **S&P 500 index** to measure traders' expectations for short-term market moves. It typically rises when stocks fall, which is why traders buy **volatility** futures, options and exchange-traded funds as insurance against a sudden market reversal.

U.S. stocks fell sharply on Thursday. The **Dow Jones Industrial Average** dropped 2.9%, and the **S&P 500** declined 2.5%, amid fresh worries over whether plans for tariffs would fan the threat of a trade war. The resurgence in **volatility** comes amid concerns among investors that the nine-year **bull market** may be losing its momentum.

"There's more risk premium being priced into stocks right now," said Pravit Chintawongvanich, head of derivatives strategy at broker-dealer Macro Risk Advisors. "People think stocks are riskier than they were before. Why that is -- it could be tariffs, they could have woken up on the wrong side of the bed -- who knows?"

Last month's sudden market downturn shattered a prolonged period of quiet during which the VIX remained subdued. But when stocks plunged on Feb. 5, the VIX more than doubled. Three days later, as stocks plummeted again, the VIX of VIX hit a record of 180.61, according to Cboe data.

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THE WALL STREET JOURNAL.

Markets

Hedge Funds Bet on Volatility; Bullish wagers on VIX outnumber bearish ones for first time since 2016

By Gunjan Banerji
534 words
12 March 2018
06:57 PM
The Wall Street Journal Online
WSJO
English

Hedge funds are betting that the recent turbulence in U.S. stocks will persist—a reversal after wagering for more than two years that the **equity market** will remain calm.

Leveraged funds, a category that includes hedge funds, were net **bullish** on Cboe **Volatility** Index, or VIX, futures as of March 6, the latest Commodity Futures Trading Commission data show—marking the first time **bullish** wagers have outnumbered **bearish** ones on the contracts since February 2016.

The about-face by hedge funds and speculators comes after a rocky month for stocks, with the **S&P 500** and **Dow Jones Industrial Average** entering correction territory in February as investors grew jittery about higher inflation and **volatility** bets gone wrong rippled through markets. Since then, market turmoil has receded, but one measure of stock **volatility** indicates that it remains above last year's average level.

A **bullish** bet on VIX futures can be a **bearish** bet on stocks, because the two tend to move in opposite directions. Traders can tap the derivatives to make directional bets on **volatility** itself or use the contracts to hedge their portfolios.

Hedge funds aren't always good at timing their **volatility** bets. **Volatility** hedge funds may have squandered a chance to shine last month. They posted lackluster returns despite a surge in market turbulence in February, according to a March 9 report from JPMorgan Chase & Co. That environment should give **volatility** hedge funds more opportunities to make bets on which way **volatility** will trend and capture profits.

Short **volatility** hedge funds, which bet against **volatility**, didn't perform well last month as market swings picked up, which is to be expected, but long **volatility** strategies also floundered, according to JPMorgan, which analyzed data from Eurekahedge.

Strategies used by **volatility** hedge funds vary. Some bet on **volatility** through VIX futures and options or through derivatives on single stocks and indexes. Others try to foresee and profit from the next crash in **financial markets**. **Volatility** strategies are supposed to be less correlated to other assets in a portfolio.

JPMorgan estimates about $60 billion sits in **volatility** hedge funds, with most managing pension fund money.

Some fund managers were likely caught off guard by the **volatility** spike, which came after one of the most placid years in history. A Eurekahedge short **volatility** index, which tracks how the funds are doing, fell 3.9% in February, according to an estimate on the firm's website.

This suggests that these short **volatility** hedge funds were poorly prepared or protected for a reversal of the past year's low **volatility** trend," wrote the JPMorgan analysts.

A Eurekahedge long **volatility** hedge fund index ticked up 0.35% in February, according to Eurekahedge's website. But it barely reversed prior month's losses when markets were calm, wrote the firm's analysts.

A tail risk index, designed to track funds that profit from a market event with an extremely low probability--like February's correction-- fell about 3%. This year, the four categories tracked by Eurekahedge and JPMorgan have underperformed the **S&P 500**'s 4% advance.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

U.S. Stocks Tumble After Trump Announces New Import Tariffs; Dow industrials drop more than 400 points and erase their gains for the year

By Michael Wursthorn
890 words
1 March 2018
05:49 PM
The Wall Street Journal Online
WSJO
English

The **Dow Jones Industrial Average** tumbled more than 400 points in a rocky session Thursday, extending its losing streak to three days and stalling the modest rebound the index had staged in recent weeks.

The blue-chip index swung roughly 743 points from its high to its low during the day, as investors fretted over the ramifications of new steel and aluminum tariffs unveiled by President Donald Trump.

It was the Dow's third consecutive day with a decline of at least 1%, a streak the index hadn't suffered since January 2016. Meanwhile, Wall Street's so-called fear gauge, the Cboe **Volatility** Index, surged to its highest reading since the Dow and the **S&P 500** tumbled into correction territory on Feb. 8.

"The market was already vulnerable," said Bruce Bittles, chief investment strategist at Baird. "The problem with the rebound rally was that it never broke the market's downside momentum."

The Dow declined 420.22 points, or 1.7%, to 24608.98. The **S&P 500** shed 36.16 points, or 1.3%, to 2677.67, while the **Nasdaq Composite** fell 92.45 points, or 1.3%, to 7180.56. It was the third consecutive day of declines for all three indexes.

The losses wiped out the Dow's gains for the year, putting it down 0.4% for 2018. Over the past three sessions, the index has fallen 1,100.29 points, or 4.3%. The **S&P 500** is barely in the black for 2018 with a gain of 0.2%, and the **Nasdaq** remains up 4%.

Mr. Trump's decision to slap tariffs on steel and aluminum imports further stoked investors' fears of rising inflation because the levies will likely push the price of goods higher. Investors also worried it could spark a trade war with foreign countries, several of which already had warned the U.S. that such an action could prompt them to retaliate.

"This is going to be effectively a tax increase," said Brian Nick, chief investment strategist at Nuveen. "Certainly on some businesses and many consumers, and it will be counteracting the fiscal stimulus. In a vacuum, growth will be a bit lower this year because of the higher tariffs on goods that a lot of people buy."

All 11 major sectors of the **S&P 500** fell, led by declines in shares of industrial and financial firms. Manufacturers that use steel and aluminum to produce goods were among the hardest hit stocks. Industrial heavyweight and Dow component Boeing fell $12.52, or 3.5%, to $349.69, erasing roughly 86 points from the blue-chip index, while car maker General Motors shed 1.56, or 4%, to 37.79.

Shares of several U.S. steel and aluminum companies, meanwhile, rose after the tariffs were unveiled. U.S. Steel gained 2.50, or 5.8%, to 46.01, its highest close since July 2011. Century Aluminum added 1.43, or 7.5%, to 20.48.

U.S. government**bond prices** jumped, sending the yield on the benchmark **10**-**year Treasury** note to 2.802% from 2.870% Wednesday, its biggest one-day decline since September. Yields fall as **bond prices** rise.

News of the tariffs put further pressure on stocks, which were already struggling earlier in the day after Federal Reserve Chairman Jerome Powell brushed back concerns during his second address to Congress that inflation is accelerating so fast the central bank would have to veer from its current pace of gradual interest-rate increases.

Several investors said Mr. Powell's remarks didn't quell their inflation concerns, and they are waiting for February's jobs report—due next week—to see whether wages continued to pick up from January. The previous month's report had sparked investors' inflation fears and led to the February selloff that saw the Dow and **S&P 500** tumble into correction territory for the first time in two years.

"Until we get a clearer picture of how high rates will go and how much wage growth we'll have, we'll have **volatility**," said Sean O'Hara, president of Pacer ETFs. "No matter what Jerome Powell says, it's not going to be easy for asset prices to continue going up."

Adding to the inflation concerns, the labor market showed further signs of tightening Thursday, with the number of Americans filing new applications for unemployment benefits falling to their lowest level since 1969 , the Labor Department said.

Stocks had been gaining some momentum following their February correction, but major indexes fell in recent days as traders believed Mr. Powell's testimony before the House Financial Services Committee earlier this week suggested the Fed might be inclined to raise rates more aggressively. February was the worst month in two years for the Dow industrials and the **S&P 500**, as mounting losses snapped 10-month winning streaks at both indexes.

"It's taken investors a little while to adjust to the return to **volatility**," said Jason Pride, director of investment strategy at Glenmede. "Investors are naturally going to be uneasy."

Daniel Kruger contributed to this article.

Write to Michael Wursthorn at Michael.Wursthorn@wsj.com

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THE WALL STREET JOURNAL.

U.S. Markets
Markets
U.S. Stocks Sell Off on Concerns About Trade; Dow tumbles more than 700 points, pulled down by shares of manufacturers and banks

By Michael Wursthorn and Akane Otani
990 words
22 March 2018
07:26 PM
The Wall Street Journal Online
WSJO
English

Trade-war fears, along with broader concerns about technology companies and the outlook for economic growth and interest rates, intensified Thursday, sending the **Dow Jones Industrial Average** tumbling more than 700 points and adding to fears that stocks could be headed for a larger reckoning.

Thursday's selling, which sent shares of manufacturers, aluminum producers and steelmakers sharply lower, culminates months of growing investor anxiety over U.S. trade policy. It came as many say the market was already under pressure, gripped by concern over rising interest rates and sliding technology shares.

Trade tensions ratcheted higher as the Trump administration said it would impose tariffs on tens of billions of dollars of Chinese imports on top of duties on steel and aluminum imports, provoking the ire of officials from China to Germany to Mexico.

Investors had widely brushed off concerns about trade and rising interest rates until earlier this year. But signs that interest rates will rise more quickly than expected, along with the Trump administration's aggressive push to narrow the U.S. trade deficit, drove a resurgence in **volatility** and renewed worries among investors that the nine-year **bull market** is losing its momentum.

"The stakes are getting higher and larger, and that's what the market is thinking about," said Ken Taubes, chief investment officer—U. S. investment management at Amundi Pioneer. Investors are concerned that China will retaliate, leading to "tit for tat" escalations of policies hindering trade and leading to slower growth, he said.

The Dow industrials gave up 724.42 points, or 2.9%, to 23957.89, posting their biggest one-day percentage decline since Feb. 8, when they fell into correction territory for the first time in more than two years. The **S&P 500** fell 68.24 points, or 2.5%, to 2643.69, sliding back into negative territory for the year, while the **Nasdaq Composite** lost 178.61 points, or 2.4%, to 7166.68.

Investors still widely agree that the global economy looks robust. Yet many worry that growth could stall if the White House's trade measures lead to retaliatory moves by other countries, crimping the global trade recovery that has helped power the world's economic rebound.

Among the stocks taking the biggest hit Thursday: manufacturers, whose profits could slide if the White House's plan to impose 25% tariffs on steel imports and 10% on aluminum imports drives up their production costs.

Farm-machinery maker Deere & Co. shed $6.47, or 4.1%, to $151.58, while airplane giant Boeing fell $17.49, or 5.2%, to $319.61, and heavy-machinery maker Caterpillar shed $8.90, or 5.7%, to $146.90.

"It seems like the whole process is skewed against success for the U.S.," said Michael Scanlon, a portfolio manager at Manulife Asset Management, referring to the trade tariffs. "Look at companies in the crosshairs of this. It's Boeing and Caterpillar."

Shares of steelmakers and aluminum producers dove, with Century Aluminum dropping $3.64, or 18%, to $16.76 for its biggest one-day percentage decline since August, and United States Steel sliding $4.26, or 11%, to $34.50.

As stocks across the board fell, investors sought the safety of assets like gold, the Japanese yen and U.S. Treasury bonds, which tend to fare better during periods of heightened market **volatility**.

Utilities stocks in the **S&P 500**, thought of as bondlike because of their relatively hefty dividend payouts, added 0.4% and were the only sector in the broad index to finish the day higher.

Gold for March delivery gained $5.90, or 0.45%, to $1,326.60 a troy ounce, while the yield on the benchmark U.S. **10**-**year Treasury** note fell to 2.832% from 2.901% Wednesday—its biggest one-day decline in more than six months. **Bond prices** rise as yields fall.

The slide in bond yields weighed on shares of banks, whose lending margins rise with interest rates. The KBW **Nasdaq** Bank Index of large U.S. lenders slid 4.1%, posting its biggest one-day drop since stocks fell into correction territory Feb. 8.

While industrial conglomerates and other "old economy" stocks struggled, some of last year's best-performing technology shares came under fresh pressure, adding to the market's downbeat day.

Facebook, whose shares have skidded since the company reported a third-party firm had improperly kept its users' data, declined $4.50, or 2.7%, to $164.89, bringing its losses over the past four days to 11%. Fears that the backlash to Facebook could push regulators to tighten rules for social- media companies sent other technology shares lower, with Twitter and Google parent Alphabet losing more than 3% apiece.

Tech stocks were a major contributor to the indexes' record-setting year in 2017. Many investors worry that their stumble will exacerbate the recent swings in the **stock market**.

The tech sector's valuation relative to the broader market has climbed to its highest since late 2009, according to Bank of America Merrill Lynch, which leaves it exposed to any slowdown in expected earnings or disappointing news.

"Any time you sold any of the FANG stocks, you've been penalized for doing it," said John Creswell, executive managing director at Duff & Phelps Investment Management, referring to shares of Facebook, Amazon.com, Netflix and Alphabet, which are commonly known by that acronym. "But this could be the first time you see jitters."

Daniel Kruger contributed to this article.

Write to Michael Wursthorn at Michael.Wursthorn@wsj.com and Akane Otani at akane.otani@wsj.com

Related

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* Shares of Manufacturers Among Hardest Hit

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THE WALL STREET JOURNAL.
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Stocks Rebound As Trade Fears Ebb

By Akane Otani and Ira Iosebashvili
1,001 words
27 March 2018
The Wall Street Journal
J
A1
English

Cooling trade tensions with China fueled a rush back into U.S. stocks Monday, vaulting the Dow industrials to their largest daily point gain since the financial crisis even as the threat of rising rates continued to vex investors.

The Dow surged 669.40 points to 24202.60, reversing more than half of the losses suffered in a two-day swoon last week over the dispute between the two largest global economies. Fears over trade friction eased after The Wall Street Journal reported late Sunday that China and the U.S. began negotiating over U.S. access to Chinese markets, with financial and technology shares spearheading the bounceback.

Yet Monday's moves did little to ease investors' concerns about rising borrowing costs. Financial conditions have tightened, thanks to increasing U.S. bond yields and market interest rates such as Libor, and few investors expect imminent relief from those trends, which they view in part as a reflection of stronger economic growth.

Many analysts blamed this year's rise in bond yields for the February stock rout that had pulled major indexes into correction territory, and some investors now warn that bond yields can't keep rising -- as typical in a healthy economic expansion -- without forcing stock buyers to reassess the risks of historically high valuations.

While the yield on the benchmark 10-year U.S. Treasury note, used as a reference for everything from mortgage rates to car loans, has since retreated from its 2018 highs, growth is just one factor in its rise. Many investors expect yields to keep climbing, as the government issues its biggest wave of debt since the financial crisis to finance tax cuts and a sharp increase in spending.

In contrast with trade policy, which could take years to affect markets, the consequences of rising rates and tighter financial conditions are likely to assert themselves at any time, leaving investors wondering how much higher bond yields can go before their steady returns make holding stocks look less attractive. That could put fresh pressure on a nine-year **bull market** that investors worry is losing momentum. Yields rise as **bond prices** fall.

"There's a lot of confusion, and it stems from the shifting landscape that we've had," said Robert Tipp, chief investment strategist at PGIM Fixed Income. "Investors are stepping back and pricing in . . . what could happen to the bond market and **stock market** given all the negatives out there."

The **S&P 500** added 70.29 points, or 2.7%, to 2658.55 Monday. The **Nasdaq Composite** advanced 227.88 points, or 3.3%, to 7220.54 -- marking the two index's biggest one-day percentage gains since August 2015.

Following Wall Street's bounce, Japan's Nikkei was up 1.7% at midday Tuesday, while other indexes in Asia rose at least 0.5% in early trading.

Government **bond prices** continued their slide for the year, with the yield on the 10-year note rising to 2.843% from 2.826% Friday and 2.409% at the end of last year.

Monday's rally came even as signs of nervousness persisted in the market, with popular destinations for risk-fleeing investors largely extending gains since the Federal Reserve raised interest rates in March and signaled it could accelerate its pace of interest-rate increases in the coming years. The Japanese yen is up 1.1% since Wednesday, and now stands as one of the year's best performing major currencies. The Swiss franc is up 3.1% for the year, while gold has gained 3.7%.

At the same time, the Cboe **Volatility** Index, or VIX, has gained around 16% since the Fed meeting, a sign that investors' anxiety remains high.

Meanwhile, investors have dumped shares of companies whose earnings suffer most as the cost of borrowing and labor picks up -- another indication that investors are wary of the potential for a rising-rate environment to rattle the markets.

The SPDR S&P Homebuilders exchange-traded fund, which tracks shares of builders and firms that sell home furnishings, has fallen 9.8% this year, lagging behind the **S&P 500**'s 0.6% decline and the **Dow Jones Industrial Average**'s 2.1% loss. Rising rates make home loans more expensive -- potentially chipping at demand for new houses.

That has challenged lenders, which are facing the smallest pool of homeowners eligible to refinance their loans since 2008, according to mortgage-data and technology firm Black Knight Inc. Banks are among the most sensitive industries in the market to interest-rate swings, since their businesses are tied to the economic cycle and dependent on high rates of borrowing.

Another sector that has suffered: utilities shares, which investors consider bond proxies because of their relatively hefty dividend payouts. The sector has fallen nearly 6% in the **S&P 500** for the year, a reflection of the diminishing attractiveness of companies with slow earnings growth but relatively hefty dividend payments. Oil and gas firms, whose high debt loads make them vulnerable to rising borrowing costs, have fallen about the same amount.

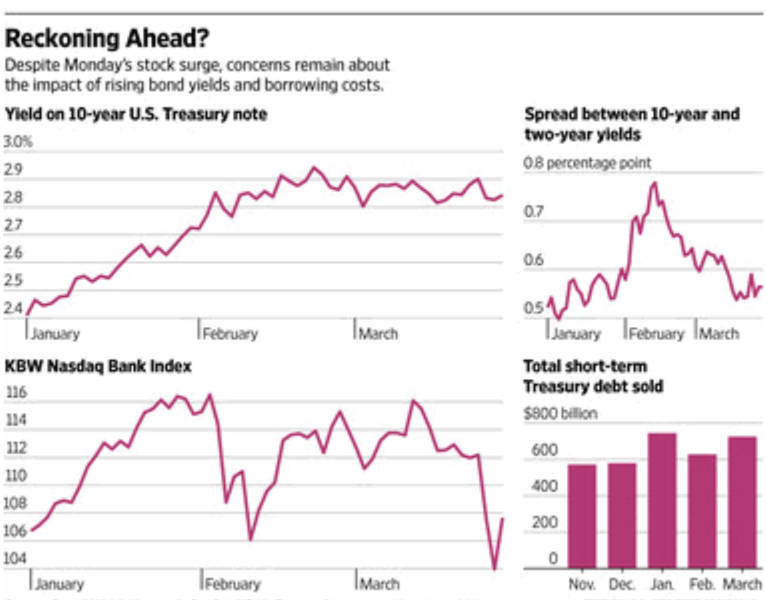
Expectations of faster inflation, increased debt issuance and trade conflicts "are all bad for the way people are positioned, whether it's in their fixed income or equity portfolios," said Richard Bernstein, chief executive officer at Richard Bernstein Advisors LLC.

Not all economists believe massive issuance will upend the long stock rally. The U.S. tax-cuts package, as well as its government spending increases, should help spur further growth in the global economy, the Organization for Economic Cooperation and Development said in its latest quarterly forecast.

Corporate earnings also are expected to get a bump from the tax cuts.

But some warn that, even with the U.S. economy looking healthy, higher rates will pressure earnings in the future -- making it more difficult for investors to notch returns.

Daniel Kruger contributed to this article.



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THE WALL STREET JOURNAL.

Markets

Investors Bet Against Treasurys as Bond Market Anxiety Intensifies; Futures markets, fund flows show investors wary of bonds

By Daniel Kruger and Gunjan Banerji
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Corrections & Amplifications

Bearish bets on Treasury futures hit a high in February. An earlier version of this article incorrectly said they reached a record this month. (March 1, 2018)

Bond investors remain on edge after last month's big price swings across **financial markets**, with **bearish** bets on Treasury futures prices reaching a high in February.

Those jitters were triggered this week by Federal Reserve Chairman Jerome Powell's congressional testimony about the prospects for rising growth and inflation , which sparked a new bout of selling that sent yields back near multiyear highs and nearly reversed three days of gains. Bond yields rise when prices fall.

Signs of worry have proliferated recently. Futures markets show investors recently held the most **bearish** positioning on record in data going back to 2003. Bidding at February's Treasury auctions declined as the supply of bonds rose. During the week ended Feb. 14, investors pulled the largest amount from fixed-income mutual funds and exchange-traded funds since just after the presidential election. And Treasury market **volatility**, as measured by Bank of America Merrill Lynch's MOVE index, recently hit its highest level since April.

In a sign of heightened **volatility**, the **10**-**year Treasury** yield fell the most since Sept. 5, to 2.802% after President Donald Trump's announcement Thursday of tariffs on steel and aluminum imports.

Such extremes of positioning and **volatility** add to pressures that drove investors to sell bonds in the first two months of the year, with the 10-year yield climbing above 2.9%. Such pressures include the prospect of future interest-rate increases, concerns about accelerating inflation—which chips away at the purchasing power of bonds' fixed payments—and a widening federal budget deficit pushing the Treasury Department to boost debt sales, increasing the supply of bonds.

The selling is worrying to some investors. Though rising rates can signal increasing economic health, this year's half-percentage-point climb in the yield on the **10**-**year Treasury** note was a major factor behind the recent **stock-market** tumble, forcing investors to reconsider valuations based on lower yields.

The 10-year yield is a key barometer for **financial markets**, influencing borrowing costs for individuals, corporations, and state and local governments, along with calculations used to evaluate stock prices.

Mr. Powell did little to alleviate those concerns in congressional testimony this week. The new Fed chairman's comments that inflation pressures are strong and that fiscal policy is playing a supporting role in economic growth helped snap three days of gains for the 10-year note. Economic growth can lure investors into riskier assets and push the Fed to raise interest rates, hurting the value of outstanding debt.

Those nerves are evident in recent data on Treasury futures, which showed investors recently accumulated the biggest wager that yields on 10-year Treasurys will rise since 2003, when the government began tracking the data, according to a JPMorgan Chase & Co. report parsing data across different Treasury maturities from the Commodity Futures Trading Commission. Investors can use Treasury futures to make directional bets or hedge other parts of their portfolios.

It is the latest indication that some investors expect sustained declines in **bond prices**, after the worst start to the year for Treasurys since 2009, some analysts said.

The market has "come around to the view that rates are going to be higher," said Mark Cabana, a rates strategist at Bank of America Merrill Lynch.

One-sided positioning in futures markets can exacerbate market moves, some analysts said, potentially setting up large swings in **bond prices** in coming months, after 2017 was the calmest year in almost four decades.

Fears of rapidly rising yields and concerns about a pickup in inflation have fed these positions, some analysts said.

Some economists now expect as many as four interest-rate increases from the Fed this year, more than the three signaled by the central bank. Analysts also said the additional borrowing resulting from recent tax cuts could push yields higher.

Some warn that if yields continue to quickly rise, the bond market could spark a new pullback in stocks. If the 10-year yield darts to 4.5% by the end of the year, stock prices could take a severe hit, wrote Goldman Sachs Group Inc. analysts in a Feb. 24 note.

Wagers that the **10**-**year Treasury** yield is about to break above 3% for the first time in four years face obstacles, however. Many investors have said that as yields approach that level, the debt becomes more attractive to both individual and institutional investors. Others point to the decline in **oil prices** in February as a sign inflation data could weaken.

Sean Simko, head of fixed-income portfolio management at SEI Investments, said yields will continue to rise over the medium term as the Fed raises rates and issuance increases, but with yields climbing "too far, too fast," bonds have become attractive in the near term. He said he bought 10-year Treasurys when the yield crossed above 2.9%.

Larry Milstein, head of government and agency trading at R.W. Pressprich & Co., said, "everybody seems to be getting on the bandwagon" betting on the Fed becoming more aggressive in response to recent inflation data. What often happens, however, is that when traders all make the same bet at the same time, "the market tends to go the other way. It's more of a **bullish** signal than a **bearish** signal, frankly," he said.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

Dow Industrials Edge Higher; Loss of key tax benefit for some pipeline companies and trade worries weigh on market

By Michael Wursthorn and Mike Bird
728 words
15 March 2018
05:32 PM
The Wall Street Journal Online
WSJO
English

The **Dow Jones Industrial Average** edged higher Thursday, as some investors took advantage of the market's ongoing slump to help the blue-chip index snap a three-session losing streak.

Despite the Dow's gain, stocks wobbled throughout the day, and the **S&P 500** finished lower for a fourth consecutive session, its longest run of daily losses since early December. The **Nasdaq Composite** fell for a third straight day.

The elimination of a key tax benefit for some pipeline companies sent shares of energy companies reeling and sapped indexes of their upward momentum. Stocks fell further on reports that special counsel Robert Mueller has subpoenaed the Trump Organization to turn over documents.

All the while, investors continued to assess the implications of the Trump administration's protectionist trade agenda, and some stepped in to buy the depressed shares of manufacturers after new data showed better-than-expected production output.

The **Dow Jones Industrial Average** traded in a range of 301 points, while the **S&P 500** and the **Nasdaq** bounced along the flatline before turning lower after the initial report on Mr. Mueller's subpoena.

"A Mueller headline isn't going to do any favors for the market right now," said Michael Antonelli, a trader for R.W. Baird & Co. "It had been weak all day, and this unsettled it further."

The Dow industrials rose 115.54 points, or 0.5%, to 24873.66. The **S&P 500** declined 2.15 points, or less than 0.1%, to 2747.33, while the **Nasdaq Composite** shed 15.07 points, or 0.2%, to 7481.74.

Energy companies, which had been trading higher earlier in the day, fell after the Federal Energy Regulatory Commission eliminated certain master limited partnerships' income-tax allowance on cost of service rates. Williams shed $1.45, or 5.2%, to $26.69, while EQT fell 2.72, or 5.2%, to 49.73.

The NYSE Alerian MLP Index, a widely tracked barometer for the sector, fell 4.6%, its biggest drop this year.

Materials companies were also among the **S&P 500**'s biggest decliners, extending the sector's losses for the week to 3.3%. Chemical companies, a sector that would face higher costs by constructing new facilities under the tariffs, were hit particularly hard, with Monsanto declining 5.95, or 4.8%, to 117.20 and Mosaic falling 71 cents, or 2.6%, to 26.39.

Declines among packaging and metals companies also dragged the sector down.

Industrial companies were one of the **S&P 500**'s few gainers, supported by fresh data showing solid growth in manufacturing activity in New York state. Caterpillar, a Dow component, added 2.03, or 1.3%, to 154.57.

The **bull market** is struggling to regain some of its momentum at a time when many investors are already worried that more trade tariffs, along with aggressive responses from key U.S. allies such as the European Union, could crimp growth around the world and put a damper on earnings among U.S. conglomerates, manufacturers and other businesses—which had been crucial components to the rally's upswing last year.

President Donald Trumpis now considering a package of anti-China measures, including tariffs on some imports, to pressure Beijing to end requirements that U.S. companies transfer technology to Chinese firms.

"Protectionist policies, at the end of the day, are bad for the market," said Tom Manning, chief executive of F.L. Putnam Investment Management Co., a $1.7 billion advisory firm. "They can be inflationary and there's not a lot of good that can come from those types of policies."

The **S&P 500** continues to trade about halfway between its January record and its early February lows more than a month after fears about inflation rising faster than expected caused a sharp selloff.

Elsewhere, the Stoxx Europe 600 added 0.5% to break a two-day losing run. In Asia, Japan's Nikkei 225 closed up 0.1%, and Hong Kong's Hang Seng was 0.3% higher. South Korea's Kospi also rose 0.3%.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

U.S. Stocks Plummet Amid Tech Selloff; Facebook shares tumble after it said a firm improperly kept data on users

By Michael Wursthorn
976 words
19 March 2018
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WSJO
English

Technology shares dragged down stock indexes, jolting investors who have rallied behind a handful of the hot tech companies and raising fresh questions about the resiliency of a nine-year-old **bull market** in U.S. stocks.

Together, Facebook, Amazon.com, Netflix and Google parent Alphabet—young firms closely associated with the Silicon Valley technology scene and deemed to be "disrupters" of rival firms engaged in media, travel, online shopping and other businesses—shed a total of roughly $76 billion in market value.

The **Dow Jones Industrial Average** dropped 335.60 points, or 1.3%, to 24610.91, falling back into negative territory for 2018 following a 25% gain last year.

Facebook shares posted their largest percentage decline in nearly four years, dropping $12.53, or 6.8%, to $172.56 and wiping out $36.4 billion in market value, following news that a firm tied to President Donald Trump's 2016 election campaign gathered data from millions of Facebook profiles without authorization.

The Facebook news raised concerns among analysts and investors about the companies' capacity to handle customer data in a way that will enable them to continue to make money while protecting users' privacy.

"The savior of the market all of a sudden becomes a problem," said Mike Bailey, director of research at $1 billion wealth manager FBB Capital Partners. "Investors were waiting for some kind of trigger."

The so-called FANG shares have grown to such a size, $2.2 trillion collectively, and have been responsible for such a large proportion of market indexes' gains over the past year that some investors are worried that their decline could rattle sentiment anew. U.S. shares have been shaken this year by their first correction, or decline of 10% or more, in two years, and indexes have been struggling to regain momentum since the Dow industrials' last record high on Jan. 26.

Meanwhile, investors remained on edge about interest rates rising further this week with the conclusion Wednesday of the Federal Reserve's two-day policy meeting and about the prospect for a possible escalation in trade tensions.

All 11 major **S&P 500** sectors finished the day lower, with energy, health-care and materials companies among the biggest decliners after the technology sector. All 30 Dow components traded lower except Boeing, which rose fractionally.

The **S&P 500** fell 39.09 points, or 1.4%, to 2712.92, falling for the fifth time in six sessions, while the **Nasdaq Composite** dropped 137.74 points, or 1.8%, to 7344.24. The tech-heavy index had recovered its February losses in recent weeks and set an all-time high a week ago.

It was the biggest decline for the **S&P 500** and **Nasdaq** since Feb. 8, while the Dow had its biggest fall since March 1.

Technology stocks have been a key pillar of support for a **stock market** that has been struggling to maintain its upward momentum since the Dow industrials and the **S&P 500** entered into correction territory in early February.

Fears that the Fed could raise interest rates more quickly than expected to keep inflation in check and concerns over whether the Trump administration's protectionist policies will spark a trade war have roiled stocks over the past month. The Dow is down 7.5% from its all-time high.

Despite those concerns, investors have been looking to tech stocks for some safety and steady performance, especially after Amazon and Microsoft reported upbeat quarterly results.

Investors put $2.6 billion into U.S.-focused tech funds, a record, for the week ended March 14, based on a Bank of America Merrill Lynch analysis of EPFR fund-flows data.

Valuations among tech's largest names were stretched even further, as companies such as Microsoft, Apple and Cisco Systems have contributed nearly a fifth of the **S&P 500**'s gains for the year so far, according to S&P Dow Jones Indices.

Including Amazon and Netflix, two tech companies that sit alongside other consumer-discretionary stocks in the **S&P 500**, those five companies make up nearly half of the broad index's advances for the year so far.

The market's tilt toward technology has been a major concern among some money managers, who say the overreliance on one particular sector has made major indexes more vulnerable to a selloff similar to Monday's.

"The market feels top heavy, literally and figuratively, with these big-market cap companies in tech," said Diane Jaffee, a senior portfolio manager at TCW Group Inc. "It makes me nervous."

Shares of Alphabet fell $34.35, or 3%, to $1,100.07, while PayPal Holdings shed 1.86, or 2.3%, to 80.30. Netflix, meanwhile, declined 4.97, or 1.6%, to 313.48, while Amazon stumbled 26.75, or 1.7%, to 1,544.93.

Futures contracts gave a 94% chance to the Fed raising interest rates by 0.25 percentage point Wednesday to a range between 1.5% and 1.75%, according to data by CME Group.

This would be the first time that borrowing costs go higher in 2018, and investors are trying to gauge whether Fed Chairman Jerome Powell will raise rates three additional times this year, or only two.

"All of these issues are keeping the market handcuffed right now," said Crit Thomas, global market strategist at Touchstone Investments.

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More

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

U.S. Stocks Gain on Solid Jobs Report; Data eases investors' concerns about potential for rapid acceleration of inflation

By Michael Wursthorn and Riva Gold
851 words
9 March 2018
05:00 PM
The Wall Street Journal Online
WSJO
English

* U.S. stocks higher after jobs report

* Inflation concerns ease

* Korea news boosts Asian stocks

U.S. stocks jumped Friday, extending major indexes' gains for the week, after an upbeat February jobs report eased investors' concerns that inflation is accelerating too quickly.

Those inflation fears, which had gripped markets in recent weeks and contributed to a surge in **volatility**, diminished after data from the Labor Department released Friday showed that wage growth slowed in February. Meanwhile, the annual wage gain in January—which initially came in stronger than expected and sparked the jitters that led to the market's worst selloff in more than two years—was revised down.

The data helped push stock futures up before the opening bell and sent indexes hurtling higher throughout the session to notch their third week of gains out of the past four.

For investors, the slower wage growth signals that inflation is progressing at a pace that more closely aligns with the Federal Reserve's thinking and likely won't require the central bank to hasten its pace of interest-rate increases.

"It's a good report for stocks because it is keeping the Fed at a more measured pace in 2018 for raising rates," said Matthew Miskin, a strategist with John Hancock Investments. "But we're not out of the woods yet," Mr. Miskin added, as he expects the increased level of **volatility** to persist while the market grapples with other issues, including how the European Union and other countries decide to respond to the Trump administration's tariffs on steel and aluminum imports.

The **Dow Jones Industrial Average** jumped 440.53 points, or 1.8%, to 25335.74, while the **S&P 500** added 47.60 points, or 1.7%, to 2786.57. The **Nasdaq Composite** rose 132.86 points, or 1.8%, to 7560.81. The gains helped the Dow add 3.3% for the week, while the **S&P 500** climbed 3.5% and the **Nasdaq Composite** rose 4.2%.

Friday also marked the ninth anniversary of the **bull market**. The **S&P 500** has more than quadrupled since stocks hit their lowest point during the financial crisis on March 9, 2009, making it the second-longest rally in U.S. history. The Dow is up 287% since then, while the **Nasdaq** has risen 496%.

Still, February's selloff has put the Dow industrials and the **S&P 500** in the midst of their longest droughts without a record close since mid-March of last year. A handful of technology companies, including online streaming service Netflix Inc., have risen enough to help **Nasdaq** notch its first record close on Friday in 28 trading days.

Investors broadly bought equities, with 10 of the 11 major **S&P 500** sectors trading higher. Banks led the broad index up. Higher interest rates, which typically boost lenders' earnings, and news that Goldman Sachs Group Chief Executive Lloyd Blankfeinis preparing to step down as soon as the end of the year contributed to the gains. Goldman, a Dow component, rose $4.43, or 1.7%, to $270.77.

Many stocks that pay out relatively hefty dividends, such as telecommunications firms, declined after the jobs report.

Government bonds weakened as yields rose. The yield on the benchmark 10-year U.S. Treasury note climbed to 2.894% from 2.866% on Thursday.

Stocks are continuing to recover from January's wage data, which halted major indexes' steady climb last month. Markets swung wildly in the subsequent days as investors peered into everything from Fed Chairman Jerome Powell's first speeches on Capitol Hill to economic data for any insight into the pace of inflation.

The nervousness that swept markets had let up somewhat earlier this week, especially after the Trump administration suggested that key U.S. allies would be exempt from new tariffs on steel and aluminum imports.

More broadly, Friday's jobs report gave investors a rosy view of the economy. Nonfarm payrolls rose a seasonally adjusted 313,000 during the month to surpass economists' expectations and mark the strongest monthly gain since July 2016, according to the Labor Department. Wage growth, meanwhile, slowed slightly to 2.6%, below expectations of 2.8%.

"One could not obtain a better report from the investor perch," said David Kotok, chief investment officer at Cumberland Advisors. "Stocks love it because it's affirming gradualism and takes the pressure off the Fed."

Elsewhere, the Stoxx Europe 600 gained 0.4%, while Asian stocks ended the day higher on news of a planned meeting between North Korean leader Kim Jong Un and President Donald Trump .

Japan's Nikkei rose 0.5%, putting it up 1.4% for the week, its best since the middle of February. Hong Kong's Hang Seng Index and South Korea's Kospi both rose 1.1% Friday.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

U.S. Stocks Surge as Trade Worries Ease; The Dow industrials, after its worst week in more than two years, records its biggest one-day point gain in about a decade

By Gunjan Banerji and Georgi Kantchev
869 words
26 March 2018
05:39 PM
The Wall Street Journal Online
WSJO
English

U.S. stocks staged a powerful rebound on Monday, surging on signs that recent trade tensions were easing as the **Dow Jones Industrial Average** notched its third biggest point-gain ever.

The Dow Industrials advanced 669.40 points, or 2.8%, to 24202.60, its largest one-day point gain since October 2008.

The buying accelerated toward the end of the trading day, sending other major indexes to their biggest gains in years, too. The **Nasdaq Composite** added 227.88 points, or 3.3%, to 7220.54 and the **S&P 500** rose 70.29 points, or 2.7%, to 2658.55. Both these indexes and the Dow Industrials recorded their biggest percentage jumps since August 2015.

Shares of financial and technology companies within the **S&P 500** were some of the biggest winners Monday after investors dumped them in prior sessions, though all sectors got a lift.

The reprieve for U.S. stocks comes after the worst week in more than two years. U.S. plans to hit China with tariffs on as much as $60 billion in imports and other restrictions—and the immediate threat of Chinese retaliation—rattled global markets. .

Investor fears that escalating trade tensions could eventually lead to a trade war eased after reports of renewed discussions between the two countries. The Wall Street Journal reported Sunday that China and the U.S. have started negotiating to improve U.S. access to mainland Chinese markets. U.S. Treasury Secretary Steven Mnuchin on Sunday said the administration was "working on a pathway to see if we can reach an agreement as to what fair trade is for them."

South Korea's trade ministry also said on Monday the U.S. and Seoul agreed to amend their free-trade deal to address U.S. concerns about a growing deficit and resolve friction over tariffs on South Korean steel. South Korea was granted a permanent exemption from 25% import tariffs on steel.

With trade concerns subsiding, many investors refocused on the factors that have helped boost stocks in recent months. The U.S. economy remains strong, potentially providing fuel to the nine-year **bull market**, analysts said.

"The trade-tariffs talk appears to be more posturing, and so far there is no meaningful economic impact," said Eric Freedman, chief investment officer at U.S. Bank Wealth Management, which has $151 billion under management.

Still, others suggested the path forward for stocks would likely remain choppy.

"I still think that the fundamentals are solid and the most likely path is up. But the chance of a breakdown is getting more real by the day," said Brad McMillan, chief investment officer for Commonwealth Financial Network.

A measure of stock **volatility** sank on Monday, but some investors remained cautious, warning that market turbulence was unlikely to subside in the near term. Continued discussions on trade tariffs and other geopolitical news will likely drive stock swings; turnover in the White House remains a point of concern for some, analysts said.

Investors are also grappling with other potential threats, including rising interest rates and a possible tightening of regulations for tech giants.

"I don't think it's clear sailing," said Eddie Perkin, chief equity investment officer at Eaton Vance. "There's a lot more nervousness in the market than there was six weeks ago."

Some investors said the technology sector in particular remained susceptible to a swoon, given how **bullish** investors had gotten toward the group.

Shares of Facebook rose 67 cents, or 0.4%, to $160.06 Monday after the company's biggest weekly tumble since 2012, driven by concerns over the social media giant's handling of user data. Microsoft was the biggest winner in the **S&P 500**, surging 6.60, or 7.6%, to 93.78.

This week, traders will be keeping an eye out for inflation numbers in the eurozone and new estimates on economic growth in the U.S.

Some said the market's trajectory in the next few days would be key.

The **S&P 500** hovered above its 200-day moving average on Monday, a technical indicator that infuses some investors with confidence in the bounce in stocks. Moving above or below that level can signal rising or dwindling **stock market** momentum, respectively.

The index closed about three points above that level on Friday and hasn't fallen below the threshold on a closing basis since June 2016, shortly after the British vote to leave the European Union.

"Just a couple of weeks ago, we were at all-time highs. The question really is, can the market regain its strength?" said Mr. McMillan.

Elsewhere, the Stoxx Europe 600 fell 0.7%.

In Asia, Japan's Nikkei Stock Average finished up 0.7%, having earlier declined as much as 1.3%. Hong Kong's Hang Seng Index rose 0.8%.

Gregor Stuart Hunter contributed to this article.

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The New York Times

Business/Financial Desk; SECT
Wall St., Weighing Trump's Trade Policy, Ends the Day Mixed

By PRASHANT S. RAO
306 words
8 March 2018
The New York Times
NYTF
The New York Times on the Web
English

Stocks on Wall Street closed mixed on Wednesday, a day after President Trump's top economic adviser, Gary D. Cohn, said he would resign amid an internal White House dispute over the decision to impose stiff tariffs on imported steel and aluminum.

The **Standard & Poor's 500**-**stockindex** recovered much of its opening-bell losses, ending the day slightly lower, by less than a tenth of a percent. The **Dow Jonesindustrial average** closed lower by a third of a percent, while the **Nasdaq composite** ended in positive territory, gaining a third of a percent.

Earlier in the day, Asian markets closed lower, while European markets ended the session higher. The yield on a **10**-**year Treasury** note was little changed.

Investors have been concerned that Cohn's departure could raise the chances of a global trade war

The global declines came as the plans to impose tariffs drew condemnation and threats of retaliation from major American trading partners, including Canada, China and the European Union. The announcement by Mr. Cohn that he would leave the administration amplified those fears. Mr. Cohn had argued against imposing tariffs.

Stock markets had made gains in recent days, but Deutsche Bank analysts said in a note to clients that those moves were largely to do with a belief that the president's advisers, like Mr. Cohn, and fellow Republican Party leaders would rein in the proposals.

"That optimism is fading this morning," the analysts said. They added that Mr. Cohn's resignation suggests "that Trump is leaning heavily towards some form of protectionist measures. Needless to say that Cohn's resignation also leaves further question marks around Trump's economic agenda."

Follow Prashant S. Rao on Twitter: @prashantrao.

Document NYTF000020180308ee380005v

The New York Times

Business Day
Facebook and Other Tech Companies Drag Down Stock Markets

By Matt Phillips
439 words
19 March 2018
03:56 PM
NYTimes.com Feed
NYTFEED
English

Stocks tumbled on Monday, dragged down by shares of technology companies, which until recently had propelled the nine-year **bull market** ever higher.

Facebook was at the heart of the sell-off. Its shares closed down 6.8 percent after news emerged over the weekend that a political data firm with links to President Trump's 2016 campaign had harvested private information from more than 50 million Facebook profiles.

The news reports could open the door to greater government scrutiny and potential regulation of the technology sector. Already, government officials in the United States, Europe and elsewhere have been demanding tougher oversight of the world's largest tech companies. That, in turn, could erode the industry's profits and potentially force some companies to adjust their business models.

Facebook's decline on Monday was the stock's worst single-day fall since 2014, and it weighed on the other tech giants. Google's parent company, Alphabet, fell more than 3 percent. Amazon and Microsoft dropped more than 1.7 percent. And Apple, the largest American company by market capitalization, sank 1.5 percent.

The falling tech stocks pulled down the overall market, with the **Standard & Poor**'**s500 index** down 1.4 percent. The tech-heavy **Nasdaq Composite** index fell 1.8 percent.

The turbulence in the tech industry adds to the recent market turmoil. After more than a year of extraordinary calm in the stock markets, equities have been on a roller coaster since February. The **volatility** has been driven in large part by fears that inflation might bubble up and prompt the central banks to hike interest rates faster than expected.

Since the start of the current **bull market** in March 2009, technology companies have delivered total returns — including the appreciation in their share prices and the dividends they have paid — of more than 570 percent, far outpacing the broader market. In 2009, the tech sector made up 17.5 percent of the **S**. **& P**. **500**. Today, that figure is more than 25 percent, meaning that a swing in tech stocks has a big effect on the broader market.

A few giant companies have been the driving force behind the rally. Facebook, Amazon, Netflix and Google's parent company — often referred to in the markets by the shorthand FANG — have become a favorite combination for stock investors.

* Facebook's Role in Data Misuse Sets Off Storms on Two Continents

* Trump's Tax Cuts in Hand, Companies Spend More on Themselves Than on Wages

* Why the Tax Law Might Make Your Car Payments Go Up

Document NYTFEED020180319ee3j006my

THE WALL STREET JOURNAL.

U.S. Markets
Markets
U.S. Stocks Decline on Weakness in Tech, Financial Shares; Nasdaq falls 1%, breaking seven-session winning streak

By Allison Prang and David Hodari
716 words
13 March 2018
05:07 PM
The Wall Street Journal Online
WSJO
English

U.S. stocks dropped Tuesday, fueled by declines in highflying technology and financial shares.

Major indexes opened higher, and the **Dow Jones Industrial Average** climbed as much as 197 points in morning trading after the latest round of inflation data showed consumer prices increased more modestly in February than in the previous month.

But shares turned broadly lower by midday, with eight of the 11 sectors in the **S&P 500** ending the session in the red.

The Dow fell 171.58 points, or 0.7%, to 25007.03, while the **S&P 500** declined 17.71 points, or 0.6%, to 2765.31. The tech-heavy **Nasdaq Composite** dropped 77.31 points, or 1%, to 7511.01, breaking a seven-session winning streak.

Tech stocks were the weakest performers in the **S&P 500**, falling 1.2%, after a big rally in 2018. Chip maker Qualcomm fell $3.11, or 5%, to $59.70, after President Donald Trump late Monday blocked Broadcom's $117 billion hostile takeover bid on national security grounds.

Dan Morgan, senior portfolio manager at Synovus Trust, said the Broadcom and Qualcomm deal intervention weighed on sentiment.

Mr. Trump's involvement in a possible Broadcom and Qualcomm deal "opens the door that any future merger or acquisition…could have intervention from the president," he said, adding that Mr. Trump's move was unprecedented in his mind.

"I don't remember a president ever doing that," he said.

Meanwhile, financial stocks in the **S&P 500**, another top-performing sector this year, fell 1.1% alongside a decline in bond yields. Lower yields normally bode poorly for banks' net interest margins, a key measure of lending profitability.

The yield on the U.S. **10-year Treasury** note settled Tuesday at 2.848%, down from 2.870% on Monday. Yields move inversely to prices.

Before the opening bell, the Labor Department said the consumer-price index, which measures what Americans pay for everything from shampoo to hotel stays, rose 0.2% in February after climbing a seasonally adjusted 0.5% in January. The results matched expectations from economists surveyed by The Wall Street Journal.

But Mr. Morgan of Synovus Trust said investors are growing wary of the long-running **bull market** and are nervous about the yield curve and "bigger-theme items."

Even when investors get good news like the latest inflation numbers, "it's almost like the tone is still somewhat down," he said.

President Trump also said Tuesday he would nominate Central Intelligence Agency Director Mike Pompeo as secretary of state to replace Rex Tillerson. Some traders played down the impact of the recent turnover in the administration.

"This is now what is expected to be normal," said Matt Miskin, market strategist at John Hancock Investments.

A lack of inflationary jitters during 2017 allowed U.S. stock indexes to leap to multiple records early in 2018, while investors kept long-term bond yields subdued.

Since the start of February, however, rising inflation in both the U.S. and Europe has prompted investors to second-guess central-bank guidance, fueling speculation about tighter monetary policy.

The inflation data were released against a fraught trading backdrop, with the Trump administration's announcement of tariffs on steel and aluminum imports having provoked rebukes from China and the European Union in recent days. How those trading partners now respond may have broader implications for global economic growth, analysts say.

"The chances of a global recession in the next year or two are already rising and if you add to that a slowdown in the rate of trade—not just a slowdown in trade growth—it could have repercussions for global economies," said Edmund Shing, global head of equity derivative strategy at BNP Paribas.

Elsewhere, the Stoxx Europe 600 slipped 1%, after Asia-Pacific indexes shrugged off early pressure.

In Asia, Japanese stocks closed up 0.7%, erasing earlier losses. The Shanghai Composite fell 0.5% on news that China plans to merge its banking and insurance regulators.

Kenan Machado contributed to this article.

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Document WSJO000020180314ee3d001o1

THE WALL STREET JOURNAL.

Markets

Volatility Roars Back With Biggest Quarterly Rise Ever; The Cboe Volatility Index, or VIX, had one of its biggest quarterly increases ever, reflecting concerns about inflation, interest rates and trade

By Gunjan Banerji
630 words
30 March 2018
11:00 AM
The Wall Street Journal Online
WSJO
English

A measure of **volatility** in U.S. stocks had one of its biggest quarterly rises ever, reflecting growing investor concerns about inflation, rising interest rates and global trade tension.

The Cboe **Volatility** Index, or VIX, surged about 80% during the first quarter after the measure of **equity-market** turbulence slid for three years. Loose central-bank policies and steady economic expansion world-wide suppressed price swings in markets during that streak.

But hints of a pickup in inflation and higher bond yields shattered that prolonged stretch of serenity in the first quarter. The U.S. **stock market** entered correction territory during February, while fears of a trade war continued to spark market tumults throughout March.

"We had a regime change with respect to both **volatility** and interest rates," said Joanne Hill, chief adviser for research and strategy at asset manager Cboe Vest Financial, a majority-owned subsidiary of Cboe Global Markets, which oversees the VIX.

Some investors have taken the recent turmoil as an end to the once lucrative strategies of betting against **volatility** through selling options or making **bearish** wagers via exchange-traded products.

Ms. Hill said retail investors are now putting money into portfolios that include options hedging—a strategy that can give investors protection when markets turn **bearish**.

When market **volatility** briefly subsided in February, some investors opportunistically loaded up on hedges as options prices slipped.

"We try to take advantage of periods when **volatility** is low to put hedges on," said Baltimore-based Rick de los Reyes, co-portfolio manager at T. Rowe Price.

"The spike in **volatility** that we saw in early February—that definitely constitutes a change in the market," he added.

Mr. de los Reyes recently scooped up **bearish** put options on individual stocks that he thinks have a weak outlook, including contracts on shares of industrial companies.

One beneficiary of higher **volatility**: options traders, who have been starved of the market gyrations that help them capture profits. Equity options volume is off to a record start in 2018, according to a spokeswoman for the Options Clearing Corp., after years of torpor.

February's bout of turbulence was so severe that it triggered the demise of two ETPs that track the VIX—a blow to the short **volatility** trade that has become wildly popular in recent years. It also prompted other ETPs to revise their designs, reducing the degree to which investors can wager on **volatility** with a single bet.

At the start of 2018, coming off a year when the **S&P 500 index** surged 19%, few investors had allocated money for stock hedges, tired of burning cash on options contracts that tended to expire worthless since markets were calm.

And some say habits haven't changed much. Jim Strugger, a derivatives strategist at Stamford, Conn.-based MKM Partners, said that the recent tumults haven't triggered big changes in hedging.

Some investors have already reverted to shorting **volatility**, rather than springing for protection, according to him.

"A little **volatility** event was not going to dislodge people from the anchoring of the past 10 years," Mr. Strugger said.

Write to Gunjan Banerji at Gunjan.Banerji@wsj.com

Quarter-End Report

* Bumpy Quarter for Stocks

* **Volatility** Roars Back in 1Q

* Dollar Extends Last Year's Slide

* Bond Yields Jump, Then Plateau

* **Oil Prices** Seen Going Higher

* Copper's Hot Run Falters

* Merger Funds Missing Out on M&A

* Muni Bonds: Worst 1Q in 15 Years

* Risky Bond Funds Abandoned

* Investment Banks Face Growth Puzzle

* Bitcoin Falls Back to Earth

* Determining Liquidity Is Complicated

* European Deal-Making Still High

Document WSJO000020180330ee3u002e6

THE WALL STREET JOURNAL.

U.S. Markets
Markets

Stocks Sell Off in Final Hour; The tech sector led declines as shares of Facebook dropped again; bank shares also weakened

By Allison Prang and David Hodari
726 words
27 March 2018
06:21 PM
The Wall Street Journal Online
WSJO
English

Shares of technology and financial stocks slumped Tuesday, pushing major indexes down for the fourth time in the past five trading days.

The declines extended a spring rout in sectors that up until recently had been significant beneficiaries of a roaring rally that began in the hours after Donald Trump was elected as president.

Bank shares in particular sold off as U.S. government bonds rallied and the yield on the **10**-**year Treasury** note dropped below 2.8%. The KBW **Nasdaq** Bank Index of large lenders fell 2.4%, its third decline in five trading sessions. Lower interest rates tend to hurt banks by weighing on their net interest margins, a key measure of lending profitability. Bank of America lost 92 cents, or 3%, to $29.52, while Goldman Sachs Group dropped 7.62, or 3%, to 247.26.

Meanwhile, shares of utility, telecommunications and real-estate firms in the **S&P 500**, thought of as bondlike because of their relatively hefty dividend payouts, logged modest gains as investors sought safety.

The **Dow Jones Industrial Average** ended the session down 344.89 points, or 1.4%, to 23857.71, after dropping as much as 483 points as its losses accelerated in the final 90 minutes of trading. The broad **S&P 500** slipped 45.93 points, or 1.7%, to 2612.62. The tech-focused **Nasdaq Composite** declined 211.74 points, or 2.9%, to 7008.81 for its fourth consecutive daily move of at least 2%, the most since October 2011.

The tech sector led declines as shares of Facebook dropped again, falling 7.84, or 4.9% to 152.22, after Chief Executive Mark Zuckerberg said he expects he will have to testify about the social media company's privacy and data-use standards. And Tesla shares sank 25.00, or 8.2%, to 279.18 after the U.S. National Transportation Safety Board said in a social media posting that two investigators are conducting a field investigation into a fatal crash last week.

Matt Lloyd, chief investment strategist for Advisors Asset Management, said he thinks that rockiness in the tech sector could persist amid the prospect of increased regulation.

"If you know anything about regulations, they always go a little bit overboard, and there's unintended consequences and it doesn't matter which party's in power," he said. "It's going to take several years to get something that's probably moderate and appeases most people."

Some analysts see the recent stock swings as a consequence of investor pessimism and broadly healthy **equity-market** performance.

"The market seemed to be assuming the worst-case scenario. That they responded this way may reflect overall positioning because we've had quite a good run and that correction was a bit stronger than expected," said Geoffrey Yu, head of the U.K. investment office at UBS Wealth Management.

The yield on the **10**-**year Treasury** note fell to 2.790% on Tuesday, its lowest close in seven weeks, from 2.843% Monday. Seen as relatively safe stores of value by investors, Treasurys have benefited from the recent turmoil in the **stock market**, as well as easing concerns about the potential for a faster pace of interest-rate increases by the Federal Reserve.

Bond prices have climbed even as the Treasury is selling $300 billion of new debt this week, an outgrowth of expanding U.S. budget deficits that might normally weigh on the market.

Meanwhile, rising inflation has prompted growing speculation about the Federal Reserve's interest-rate policy, with some analysts suggesting the central bank will increase rates four times in 2018 instead of the three times it has penciled in.

"If the Fed does change to four hikes this year, it's not that much of a concern unless it's in reaction to much higher inflation," said Edward Park, a director at asset manager Brooks Macdonald.

Overseas, European stocks rebounded, with the Stoxx Europe 600 closing up 1.2%, ending a four-day losing streak.

Write to Allison Prang at allison.prang@wsj.com and David Hodari at David.Hodari@dowjones.com

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

U.S. Stocks Fall on Renewed Trade Worries; Selloff follows signals that fewer products would be excluded from tariffs and talk from Europe about trade retaliation

By Amrith Ramkumar and Riva Gold
801 words
14 March 2018
05:12 PM
The Wall Street Journal Online
WSJO
English

* U.S. stocks fall on renewed trade worries

* **Bond prices** continue rising

* Chinese data beat forecasts

Shares of industrial and materials firms pushed the **Dow Jones Industrial Average** and **S&P 500** lower for the third straight session Wednesday, as investors weighed new signs that protectionist trade policies could spread.

Stocks had come under pressure earlier in the month as investors worried that U.S. tariffs on steel and aluminum could hurt firms that use the metals to manufacture goods. And some are concerned that other countries might retaliate, slowing international trade and eventually weakening global economic growth.

While the White House appeared to soften its initial stance on trade policy last week, helping stocks recoup some of their losses, stocks and bond yields came under fresh pressure Wednesday after the Commerce Department signaled that few product exclusions to the tariffs would be granted to U.S. firms.

Germany's newly re-elected chancellor, Angela Merkel, also said the European Union needs to respond with one voice to the U.S. tariffs and shouldn't be afraid to impose its own trade measures, if necessary.

"It just seems like the market is kind of resigning itself to this trade-war narrative," said Yousef Abbasi, global market strategist at JonesTrading. "Sentiment is fragile right now."

The **Dow Jones Industrial Average** closed down 248.91 points, or 1%, at 24758.12, after opening higher. The **S&P 500** dropped 15.83 points, or 0.6%, to 2749.48, while the **Nasdaq Composite** declined 14.20 points, or 0.2%, to 7496.81.

Aerospace giant Boeing was among the worst performers in the blue-chip index Wednesday, sliding $8.41, or 2.5%, to $330.26, and slicing 58 points off the Dow industrials.

Shares of materials companies fell 1.3% in the **S&P 500**, with all but one stock in the sector posting losses for the day, while the **S&P 500** industrials sector lost 1.1%.

Despite renewed trade worries, stocks have largely stabilized following a wave of **volatility** in February that sent the **S&P 500** and Dow industrials into correction territory.

The S&P is 4.3% away from its all-time high set Jan. 26, while the Dow industrials are 7% away from their Jan. 26 record.

Investors attribute stocks' recovery to recent data pointing to more measured economic growth, which they hope will keep the Federal Reserve on a gradual path of interest-rate increases.

Last month, many investors feared that significantly higher inflation would give the Fed a freer hand to raise rates more quickly than anticipated, pushing up bond yields and making stocks less attractive.

"That's a very legitimate debate for the market to have and for the market to be worried about," said Ben Laidler, global equity strategist and head of Americas research at HSBC. "We're definitely in the slightly-more-sanguine camp."

Still, division among investors over interest-rate increases could continue contributing to market swings, analysts say.

On Wednesday, the Labor Department said a gauge of U.S. business prices rose 0.2% in February, a sign of modest inflation pressure . Americans cut spending at retailers in February for the third consecutive month despite receiving bigger paychecks, the Commerce Department said.

Shares of department stores and apparel sellers fell following the downbeat retail sales data. Kohl's shed 1.86, or 2.9%, to 62.25, while Nordstrom declined 85 cents, or 1.7%, to 49.48.

Signet Jewelers shares tumbled 9.69, or 20%, to 38.22 after the jewelry seller said same-store sales fell more than expected in the most recent quarter.

Meanwhile, government bonds strengthened, with the yield on the benchmark 10-year U.S. Treasury note slipping to 2.815% Wednesday from 2.848% a day earlier. Yields fall as prices rise.

Elsewhere, the Stoxx Europe 600 closed down 0.1%, as trade concerns offset gains in mining companies, which surged after better-than-expected Chinese economic data boosted commodity prices. China is the world's largest consumer of raw materials.

European Central Bank President Mario Draghi warned Wednesday that the bank isn't yet ready to end its giant bond-buying program, pointing to new threats from U.S. trade restrictions and a strengthening euro.

Weakness in technology firms hurt major Asian indexes. Japan's Nikkei Stock Average fell 0.9%, while the Shanghai Composite Index declined 0.6%.

—Gregor Stuart Hunter contributed to this article.

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* U.S. Dollar Edges Lower

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The New York Times

Foreign Desk; SECTA
China's State-Backed Tech Is Major Trade Sore Spot for U.S.

By KEITH BRADSHER and ALAN RAPPEPORT; Keith Bradsher reported from Beijing, and Alan Rappeport from Washington.
1,457 words
27 March 2018
The New York Times
NYTF
Late Edition - Final
6
English

BEIJING -- China has struck a hard stance on the issue at the root of the looming trade fight between Beijing and Washington: China's government-led drive, which Washington describes as breaking international rules, to build the cutting-edge industries of the future.

Chinese officials in recent days have been defending the government's ambitious plan, known as Made in China 2025, to create globally competitive players in industries like advanced microchips, driverless cars and robotics. While Beijing has signaled a willingness to compromise on other matters, the intractable standoff over its core industrial policy could prolong a trade fight that has already shaken markets and led to concerns about a full-blown trade war.

''We are three years into the implementation of Made in China 2025, and we will keep going,'' Miao Wei, China's minister of industry and information technology, said on Monday, the last day of a three-day economic policy forum in the Chinese capital.

The Trump administration has threatened to impose tariffs on imports involving many of the industries being developed under the Made in China 2025 program. Administration officials strongly object to the program's goal of having Chinese companies dominate these advanced industries, particularly in the Chinese market.

Washington has also protested that companies in the targeted industries have been offered loans at low interest rates by state-controlled Chinese banks. The White House argues that will result in global capacity gluts that could drive down prices and destroy the viability of tech companies in the West, as well as in countries, like Japan and South Korea, that are allied with the United States.

''China has engaged for a very long time in the theft of our intellectual property as well as practices like forced technology transfer,'' Peter Navarro, President Trump's trade adviser, said on CNBC on Monday. ''We're hopeful that China will basically work with us to address some of these practices.''

Mr. Navarro on Monday tried to calm **financial markets**, which were rattled last week by the prospect of a trade war. He emphasized that ''growth and stability'' were the aim of Mr. Trump's policy goal of ensuring that trade with the United States is fair and reciprocal.

Investors' fears of a trade war seemed to subside some on Monday. The **Standard & Poor**'**s 500**-**stockindex** climbed 2.7 percent, the **Dow Jonesindustrial average** rose 2.8 percent and the **Nasdaq composite** jumped 3.3 percent.

Whether an agreement that forestalls a protracted economic conflict can be reached remains unclear. The two nations, whose markets are highly integrated, have engaged in discussions for years with little to show as a result. Talks between the United States and China stalled last summer, and the Comprehensive Economic Dialogue between two countries has produced little progress.

The Trump administration has largely shunned the highly structured discussions of past administrations, which were used to try to reach agreement on economic and security issues. The White House now views those channels as producing largely hollow promises by the Chinese and has shifted toward engaging directly with senior-level Chinese counterparts.

On Saturday, just two days after the administration announced tariffs on up to $60 billion worth of Chinese imports, Steven Mnuchin, the Treasury secretary, called Liu He, China's economic czar, to congratulate him on his new role of vice premier. The two discussed the trade tensions, including reducing tariffs on American cars and opening up China's financial services sector to American firms.

"They also discussed the trade deficit between our two countries and committed to continuing the dialogue to find a mutually agreeable way to reduce it," a Treasury spokeswoman said.

China's official news agency, Xinhua, characterized the call between Mr. Mnuchin and Mr. Liu as confrontational, with Mr. Liu warning Mr. Mnuchin that America's trade actions against China were straining economic ties between the countries.

Chinese leaders contend that their country's economy is still developing. They openly reject Mr. Trump's call for reciprocity in trade relations. They have instead offered concessions like raising caps on foreign investors' stakes in Chinese financial institutions, and proposed eliminating import tariffs in narrow categories like drugs to treat cancer.

Beijing says that opening up some services sectors would improve the efficiency of the Chinese economy as well as make money for foreign companies. Improving health care, particularly for the aging, has also become a national priority.

But Chinese officials argue that their country is still dangerously reliant on smokestack industries of the past, like steel, aluminum and cheap manufacturing. The average Chinese household lives on a quarter of the income that American and Western European households do, and standards of living remain very low in rural parts of the country, and across central and western China.

Wang Shouwen, China's vice minister of commerce, and Pascal Lamy, a former director general of the World Trade Organization, squared off at the Beijing forum over precisely that issue.

Mr. Wang insisted that China had made considerable strides in opening up its health, agriculture and shipping sectors to international competition. He noted that the United States and the European Union had higher tariffs than China on some imports of shirts and dairy products. He argued that China meets its W.T.O. obligations; the W.T.O. has long allowed developing countries to have higher tariffs to protect certain industries from international competition.

Mr. Lamy, a longtime critic of protectionism and government intervention, dismissed those arguments. China -- which has the world's second-largest economy, after the United States, and is the world's largest manufacturer by far, of everything from steel and cement to laptop computers -- had made too much progress to be lumped in with poor countries, he said.

"Pretending it is like India, or like Senegal, or like Botswana is pushing the envelope too far," Mr. Lamy said. He added that China still had to do more to "ensure a level playing field between Chinese producers and foreign producers, whether they produce inside China or outside of China."

On crucial issues, China and the United States appear to be talking past each other, not even agreeing on what is being debated.

Take semiconductors, for example: China is a major customer for microchips, which are used to power computers, smartphones and an ever-widening array of other electronics. Chips from the United States account for just 4 percent of China's $260 billion in annual chip imports. While Chinese trade officials have been willing to discuss buying more chips from factories in the United States, that could take market share from Japan and South Korea. Washington has resisted that solution.

American officials say the problem is that China's national, provincial and municipal governments are working with state-owned banks to rush the construction of factories, particularly to make memory chips.

The new factories often rely on technology that foreign companies have had to transfer as a condition of competing in the Chinese market, according to the United States. Global trade rules ban mandatory technology transfers.

Numerous factories are nearing completion, which will unleash an avalanche of additional output. China contends that it has assisted the sector partly to upgrade its economy and partly because the factories will mainly be supplying its domestic market.

But since factories in China are the world's main assemblers of electronics, the country's drive for self-sufficiency in microchips could pose a threat to chip producers in the rest of the world.

For now, China seems to be pinning its hopes on heavy lobbying in Washington by Wall Street, traditionally Beijing's most reliable ally in bilateral disputes. China's sovereign wealth fund owns stakes in a variety of American financial institutions. Estimates of Chinese outbound investment over the next decade run as high as $2.5 trillion, a rich source of advisory fees in the United States.

Mr. Wang said on Sunday that China might go beyond its earlier offer to raise caps on foreign ownership in Chinese financial institutions. ''It is even possible we will remove those caps altogether'' in some categories, he said.

But he also made clear that China would not be intimidated if its offers are not enough to satisfy the Trump administration, which has focused on reviving American manufacturing.

''If China's interests are impaired,'' he said, ''we will have to take measures.''

Follow Keith Bradsher on Twitter: @KeithBradsher.

China has underlined its determination to stick to its ambitious plan called Made in China 2025. (PHOTOGRAPH BY JASON LEE/REUTERS)

Document NYTF000020180327ee3r0003v

THE WALL STREET JOURNAL.

Markets
Volatility Regains the Upper Hand as Trade Shift Rattles Markets; Market tumult reflects uncertainty over stock valuations, anxiety over global economy

By Chelsey Dulaney and Ben Eisen
927 words
2 March 2018
06:43 PM
The Wall Street Journal Online
WSJO
English

A topsy-turvy week on Wall Street reaffirmed many traders' hunch that **stock-market volatility** is back for the long haul, following an extended absence.

Major U.S. share-price indexes closed mixed Friday, shaking off an early plunge that took the **Dow Jones Industrial Average** down as many as 391 points. The Dow ended lower by 71 points and the **Nasdaq** and **S&P 500** both rose.

It was the capstone for another wild week for U.S. stocks, less than a month after the Dow posted its largest-ever point drop.

The market tumult reflects uncertainty over stock valuations at a time when U.S. interest rates finally are rising following years of somnolence, along with President Donald Trump's Thursday decision to impose tariffs on foreign steel and aluminum. That move raised anxiety over the outlook for both markets and the global economy.

"A couple weeks ago when the market started to come back, I thought **volatility** was heading right back down," said Robert Pavlik, chief investment strategist at SlateStone Wealth. "But this week tells me we're not completely done with this market drop."

Investors have cited a number of reasons for the **volatility** resurgence, including the unwind last month of a popular bet that market **volatility** would remain low.

The Cboe **Volatility** Index has posted an average daily swing of 4.4% over the past month, compared with an average 0.6% move over the past year.

Higher **volatility** isn't bad for everyone. Higher trading volumes are likely to be a welcome sign for banks, where trading revenue hit historic lows last year as market **volatility** disappeared and trading volumes dried up.

An average of 7.58 billion shares changed hands last week, the most since early February, according to total composite volumes tracked by The Wall Street Journal's Market Data Group. Two of the most popular exchange-traded funds, the SPDR **S&P 500** ETF and the MSCI Emerging Markets ETF, have in the past month seen nearly twice as much daily trading compared with their average over the past year.

While trading is just one service offered by the largest financial institutions, periods of **volatility** can be a boon, at least temporarily, to bank financial results. Examples include the flurry of trading around the British vote to leave the European Union in June of 2016.

Banks typically make more money from their fixed-income trading businesses than their equity divisions. Industry data for January, the latest month available, show bond trading already was on the rise, particularly in corporate and U.S. government debt. Analysts say Treasury market trading was elevated in February, especially during the early part of the month as benchmark yields rose.

It is worth noting, then, that the KBW **Nasdaq** Bank Index outperformed over that stretch, ending February down 2.3%, less than the **S&P 500**'s 3.9% fall. The **S&P 500** financial sector's 3% drop made it the second-best performing of the benchmark's 11 sectors last month. Goldman Sachs Group was down 1.9%, JPMorgan Chase slipped 0.2%, and Bank of America rose about a third of a point.

Trading firms like Virtu Financial Inc. are also likely to benefit from the market turbulence. The high-speed trader's shares are up 64% this year.

But market **volatility** isn't always a good thing for banks. Too much of it can prompt investors to sit out of the market while also hitting other parts of their businesses like advising on initial public offerings.

The full impact of President Trump's trade move has yet to be determined.

The U.S. tariffs are likely to hit only a small slice of the U.S. economy, but investors fear trade partners from Asia to Europe will retaliate with tariffs of their own. That could leave a broad swath of U.S. companies, from motorcycle company Harley-Davidson Inc. to Kentucky bourbon producers, vulnerable, analysts say.

"The overall impact of this on growth and inflation is likely to be fairly limited," said Paul Ashworth, chief U.S. economist at Capital Economics. "The fear is that it escalates."

Economists have warned that tariffs could force companies to raise prices on a variety of items, adding to recent inflationary pressures that could force the Fed to pick up the rate of interest-rate increases. U.S. companies' profitability could also come under pressure as they face higher prices for materials.

Analysts at LPL Financial said the tariffs could shave a quarter percentage point from U.S. economic growth over the next year. The U.S. economy has been gathering strength recently, and the recent tax overhaul was expected to further fuel growth in 2018.

"Up until yesterday I would have said the U.S. fiscal policies in were pushing us into a prolonged economic cycle," said Mr. Pavlik. "The trade policy decisions may have an impact."

Write to Chelsey Dulaney at Chelsey.Dulaney@wsj.com and Ben Eisen at ben.eisen@wsj.com and Ben Eisen at

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THE WALL STREET JOURNAL.

Markets

Take-Two, SVB Financial and Nektar Therapeutics to Join S&P 500; The companies are replacing Signet Jewelers, Patterson Cos., and Chesapeake Energy, which will move to the S&P MidCap 400, effective March 19

By Maria Armental
163 words
9 March 2018
06:51 PM
The Wall Street Journal Online
WSJO
English

Take-Two Interactive Software Inc., SVB Financial Group and Nektar Therapeutics are joining the **S&P 500 index**, according to S&P Dow Jones Indices.

The companies will replace Signet Jewelers Ltd., Patterson Cos. and Chesapeake Energy Corp., which will be moving to the S&P MidCap 400.

Dean Foods Co., which had been in the S&P MidCap 400, will move to the S&P SmallCap 600.

Also joining the S&P SmallCap 600 are Avon Products Inc. and Owens & Minor Inc., replacing Cantel Medical Corp. and ICU Medical Inc.

The changes take effect before the market opens on March 19.

Shares of companies that join the **S&P 500** often rise as portfolio managers who track the index buy shares.

Write to Maria Armental at maria.armental@wsj.com

Document WSJO000020180309ee390076d

THE WALL STREET JOURNAL.

Markets
Volatility Gauge Rises Most Since Last Month's Market Rout; Wall Street's fear gauge surges after a tech selloff sent U.S. stocks tumbling

By Asjylyn Loder
409 words
19 March 2018
05:22 PM
The Wall Street Journal Online
WSJO
English

The Cboe **Volatility** Index rose 20% Monday as Facebook and other technology companies dragged U.S. stocks lower, in its biggest gain since Feb. 8.

The **volatility** index, called the VIX, surged as much as 38% during the trading day, the biggest intraday gain since Feb. 5, when the gauge more than doubled.

"The thing to watch out for this time is whether this is the start of a broader selloff," said Pravit Chintawongvanich, head of derivatives strategy at Macro Risk Advisors.

The **Dow Jones Industrial Average** dropped 335.6 points, or 1.35%, to 24610.91. The **S&P 500** slid 1.4% and the tech-heavy **Nasdaq Composite** fell 1.8%.

Options trading suggests that investors think the market mayhem will be short-lived, Mr. Chintawongvanich said. Traders are buying contracts to protect against a **stock market** downturn in the next month or so, he said.

"There's an outsized bid for tail-risk protection today," Mr. Chintawongvanich said. "People think this just reflects **volatility** in the near-term, and doesn't necessarily reflect concerns about longer-dated **volatility**."

The VIX uses options on the **S&P 500 stock index** to measure traders' expectations for short-term market moves. It typically rises when stocks fall, which is why traders buy **volatility** futures as insurance against a sudden market reversal.

Last month's sudden return of market turbulence shattered a protracted period of calm. Betting against wild price swings had been one of the most profitable trades in recent years as stocks marched steadily higher and central banks kept interest rates near record lows.

The abrupt turnabout nearly wiped out the assets of several popular exchange-traded products that allow investors to bet on continued calm. Japanese securities firm Nomura Holdings Inc. and Swiss Bank Credit Suisse closed two products that lost nearly all of their value when **volatility** spiked. Similar products have continued to trade, but have reduced their exposure to **volatility** futures.

"This isn't going to be as big of a deal," Mr. Chintawongvanich said. "In early February we had been in a low **volatility** environment for a long time, and that was the first really big selloff out of nowhere and it just blindsided people."

Write to Asjylyn Loder at asjylyn.loder@wsj.com

Document WSJO000020180319ee3j005mt

The New York Times

Business Day
Asian Stocks Tumble as Sell-Off Over Trade Fears Continues

By Alexandra Stevenson and Matt Phillips
941 words
22 March 2018
04:16 PM
NYTimes.com Feed
NYTFEED
English

HONG KONG — A brewing trade war between China and the United States sent markets reeling across Asia on Friday, following a sell-off on Wall Street overnight.

Investors drove stocks into red territory from Shanghai and Hong Kong to Tokyo and Seoul as they digested news that the Trump administration would impose stiff tariffs on Chinese goods. Markets fell further as Beijing announced its own retaliatory tariffs on more than 100 items, including American pork and wine.

By midafternoon, shares in Shanghai had dropped 3.6 percent. In Shenzhen, stocks fell 4.3 percent. In Tokyo, major exporters like Toyota and Sony helped to lead a 4.5 percent drop in the market. South Korean stocks fell 2.8 percent.

"This can turn ugly on a global scale very quickly," Robert Carnell, chief economist for the Dutch financial services group ING Asia, wrote in a note to clients.

Europe looked poised for a similar sell-off, with futures flashing red for major markets.

Markets were following the lead of stocks in the United States, which fell for a second straight day on Thursday, as President Trump announced $60 billion worth of annual tariffs on Chinese imports.

After wobbling throughout the day, the **Standard & Poor**'**s 500**-**stockindex** turned decisively lower in the last hour of trading, closing down by 2.5 percent. That put the index into negative territory for the year.

The trade measures against China were the latest demonstration of Mr. Trump's "America First" agenda, and they were announced a day before tariffs on global steel and aluminum imports were expected to take effect.

The potential ripples of the trade actions have unsettled investors.

Tensions escalated on Friday as Beijing responded to Washington with its own tariffs and a warning to "avoid damage to the broader picture of Chinese-U.S. cooperation." The Ministry of Commerce announced plans to slap tariffs on 128 products that would collectively be worth $3 billion in imports from the United States, including a 15 percent tariff on steel pipes, wine and fresh fruit, and a 25 percent tariff on pork.

The war of words spilled over into China's state-controlled media, as the Global Times newspaper warned in an editorial that Chinese citizens would likely start campaigns to boycott American cars and other products.

Some American businesses in China also voiced concern. "Our members do not want to see a trade war," said Kenneth Jarrett, the president of the American Chamber of Commerce in Shanghai. "The stakes are too high and there would be no winner," Mr. Jarrett said.

But he added that American businesses in China wanted "fairer treatment and improved market access in China. The Chinese government has the ability to deliver against that reasonable expectation."

In the United States, shares of large exporters, whose fortunes could be harmed by a trade war, were hit especially hard on Thursday and looked ready to bear the brunt of more selling on Friday. Shares of Boeing, one of the country's largest exporters, and Caterpillar, which counts China as an important market, both fell by more than 5 percent.

Shares of large technology companies, which had already been reeling in anticipation of tougher government oversight, also took a hit. Facebook, which has been contending with a crisis over data privacy, slumped by more than 2 percent. Alphabet, Google's parent company, dropped by more than 3.7 percent.

Amid the dip in stocks, money flowed to government bonds as investors sought safety, briefly driving yields on the benchmark **10**-**year Treasury** note below 2.8 percent. Yields move in the opposite direction of **bond prices**. Commodities heavily geared toward global growth also fell. The price of West Texas intermediate crude oil, the American benchmark, slipped 1.2 percent. Copper, an important industrial metal, dropped 0.9 percent.

Thursday's decline is the latest in a series of jolts to stock markets in the past two months.

After more than a year of calm, in which stock markets glided to one record high after another, a wave of **volatility** is suddenly cresting. There have been many causes of the turbulence this month and last. Investors initially were fearful that the economy was getting too strong, and that rising wages might cause inflation, which would push the Federal Reserve to hike interest rates faster than investors previously had expected. Those concerns have partly faded as recent economic data showed that inflation remained in check.

More recently, market anxiety has shifted toward worries about geopolitics.

A growing public backlash against technology companies has increased the chances that lawmakers and regulators in the United States and elsewhere will intensify their scrutiny of them. Shares of those companies have helped propel markets to record highs, and their recent declines have led markets lower.

Now, the prospect of a trade war between China and the United States, the two largest economies, has added to the gloomy sentiment. Among the concerns is that protectionism poses a risk to the health of the world economy. On Thursday, for example, the Bank of England warned that the erection of international trade barriers could have a "significant negative impact" on global growth.

Stock markets around the world have reflected the worries. A leading European index, the Stoxx 600, fell more than 1.5 percent on Thursday. In Germany, whose economy is dependent on exporting products all over the world, the DAX index dropped 1.7 percent.

Alexandra Stevenson reported from Hong Kong and Matt Phillips from New York. Cao Li contributed research.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

U.S. Stocks Surge, but Dow Industrials and S&P 500 Fall for the Quarter; Investors show willingness to buy stocks that have fallen sharply

By Riva Gold and Michael Wursthorn
836 words
29 March 2018
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Corrections & Amplifications

Sebastien Page is the head of global multiasset at T. Rowe Price. An earlier version of this article misspelled Mr. Page's first name as Sebastian.

The Dow Jones Industrial Average rose more than 250 points Thursday as investors sought to take advantage of depressed valuations among some of the market's most sought-after technology stocks.

Investors bought up shares of companies including Facebook, Google parent Alphabet, Nvidia and Amazon.com, among others, on the final trading day of the quarter ahead of the Good Friday holiday.

The rally helped cut the blue-chip index's quarterly loss—its first in more than two years—to 2.5%.

The index rose as much as 466 points earlier in the session before paring gains in the final hour of trading. The damage from two months of uncertainty over how rising interest rates will affect stock prices and the ramifications of trade tariffs, along with doubts whether shares of technology companies can continue to lead major indexes higher, proved too severe to overcome.

The S&P 500 fell 1.2% for the quarter, the first time in 10 quarters that either the S&P 500 or Dow posted a loss for a three-month period. The Nasdaq Composite, meanwhile, rose 2.3%, its weakest gain since the last quarter of 2016.

Investors' willingness to buy stocks that have sharply fallen has helped to avoid exacerbating the market selloff over the past two months. And several money managers said the return of volatility, along with worries of an economic slowdown, has elevated the strategy of picking individual stocks rather than broadly investing in an index.

"These are the drops you wait for," said John Thomas, chief investment officer of Global Wealth Management, a Fort Lauderdale, Fla.-based financial advisory firm that manages $350 million. "If you don't own some of these great growth names, you should be looking at them as they come down."

That helped the broad S&P 500 add 35.87 points, or 1.4%, to 2640.87 on Thursday, while the Nasdaq Composite gained 114.22 points, or 1.6%, to 7063.44. The Dow rose 254.69 points, or 1.1%, to 24103.11.

However, technology's recent stumble, which saw some of the sector's biggest names shed billions of dollars in market-cap value, is a stark reminder to avoid the risk of overexposure to those stocks. "You don't want them taking over such a large part of your portfolio that you end up overweight," Mr. Thomas added.

On Thursday, shares of technology companies in the S&P 500 rose 2.2% to lead the market higher, the sector's first gain in three trading sessions, as investors temporarily shook off concerns of how lawmakers may try to impose new regulations to better protect the mountain of user data held by social media firms.

Shares of Facebook rose $6.76, or 4.4%, to $159.79, cutting its monthly loss to 10%, while Alphabet added 31.96, or 3.2%, to 1,037.14. Shares of Tesla rose 8.35, or 3.2%, to 266.13, and Nvidia, which declined earlier this week after it temporarily suspended testing of its driverless car technology, added 10.24, or 4.6%, to 231.59.

Amazon.com shares, meanwhile, rose after falling more than 1% earlier in the day, as President Donald Trumpcriticized the online retailer on Twitter over the taxes it pays, its use of the U.S. Postal Service and its impact on traditional retailers. Shares of Amazon added 15.92, or 1.1%, to 1,447.34.

While several money managers have upbeat outlooks for the second quarter, especially as companies are expected to report another quarter of strong corporate earnings, many agree that the whipsawing **volatility** that rocked markets in the first few months of the year is likely here to stay after its long absence throughout 2017.

The **S&P 500** has suffered 11 days of declines of 1% or more so far this year, while a key measure of expected market swings, the Cboe **Volatility** Index, or VIX, jumped and has remained elevated. The **S&P 500** is down 8% from its last record close on Jan. 26, and the Dow is off 9.1%.

"We are clearly in a higher-**volatility** regime, so we've been taking some risk off the table," said Sebastien Page, head of global multiasset at T. Rowe Price, which he said has dialed back its exposure to growth stocks so that it is more in line with that of value stocks, or shares that tend to have slow but steady earnings growth and cheap valuations.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

Dow Industrials, S&P 500 Fall as Investors Assess U.S. Trade Policy; Concerns about U.S. tariffs' impact weigh on Caterpillar and Boeing and

By Gunjan Banerji and Riva Gold
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The **Dow Jones Industrial Average** fell Monday, snapping a two-session winning streak, as shares of industrial giants slumped.

Boeing, Caterpillar and United Technologies were the biggest drags on the blue-chip index as investors continue to assess the Trump administration's plan to impose tariffs on steel and aluminum imports.

A strong earnings season alongside recent inflation data have buoyed major stock indexes in recent days. But some analysts said they were wary of being in a later part of the economic cycle, one in which the overarching interest-rate environment is shifting and inflation-rate worries that rattled markets in February could return.

Recent economic data and geopolitical news have triggered market **volatility**, and analysts said the calm permeating much of 2017 was likely gone.

Some pointed to a lack of news on the trade front as a supportive factor for stocks in the short term. U.S. and European officials are planning new trade talks as U.S. allies seek ways to avoid the steel and aluminum tariffs. A broader escalation of trade tensions remains a risk for investors, analysts said.

"This **equity market** is in a muddle-along zone," said Terry Sandven, chief equity strategist at U.S. Bank Wealth Management, adding that he expects U.S. stocks to continue to rise, though at a more muted pace than in 2017.

The Dow industrials dropped 157.13 points, or 0.6%, to 25178.61. The **S&P 500** swung between small gains and losses, ending the day down 3.55 points, or 0.1%, at 2783.02. The **Nasdaq Composite** climbed 27.51 points, or 0.4%, to 7588.32, setting a record close for the second consecutive session and extending its winning streak to seven trading days.

Industrial stocks were the biggest decliners in the **S&P 500**, down 1.2%. Boeing dropped $10.33, or 2.9%, to $344.19. Caterpillar fell 3.75, or 2.4%, to 154.50, and United Tech declined 2.57, or 1.9%, to 131.50. The energy sector also weakened as crude prices slumped.

Inflation data have jolted stock and **bond prices** in recent days, and investors said they would be monitoring consumer-price index data from the Labor Department on Tuesday for more clues on price pressures.

Inflation chips away at the purchasing power of government bonds, leading to declines in Treasury prices. This, in turn, could make government bonds more attractive relative to stocks, leading some investors to reallocate cash. Inflation rising at a faster rate could also lead the Federal Reserve to accelerate its pace of raising rates.

"Fixed income is becoming more competitive now for equities," Mr. Sandven said.

Stocks got a boost after Friday's U.S. jobs report showed that despite an increase in hiring, wage growth slowed in February while the annual wage gain in January—which initially sparked the jitters that led to the market's worst selloff in more than two years—was revised lower.

Some investors said that meant the Federal Reserve was more likely to move only gradually to raise interest rates. Additionally, the strong jobs report may only grant a temporary reprieve for the Fed.

"Both core inflation and wages remain subdued for the moment," said Eric Robertsen, global head of foreign exchange, rates and credit research at Standard Chartered. "But clients expect the combination of fiscal stimulus and [U.S. dollar] weakness to ultimately lead to price pressures"—forcing the Fed to raise rates faster than had been anticipated.

Commodity prices also headed lower as U.S. crude oil fell 1.1% to $61.36 a barrel and gold declined 0.2% to $1319.40 a troy ounce.

Elsewhere, the Stoxx Europe 600 edged up 0.3% amid a flurry of merger news, echoing a climb in stocks across Asia.

Hong Kong's Hang Seng rose 1.9%, while South Korea's Kospi added 1%, sending both indexes to their highest finish in five weeks.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets
U.S. Stocks Regain Footing, With Tech Sector in Focus; Facebook extends slide, while Amazon becomes second-biggest U.S. company by market capitalization

By Allison Prang and Jon Sindreu
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U.S. stocks rose Tuesday, a day ahead of the Federal Reserve's policy decision, though social media stocks continued to struggle.

The **Dow Jones Industrial Average** climbed 116.36 points, or 0.5%, to 24727.27. The **S&P 500** rose 0.1%, or 4.02 points, to 2716.94, and the technology-heavy **Nasdaq Composite** rose 0.3%, or 20.06 points, to 7364.30 after the indexes on Monday logged their biggest daily losses since Feb. 8 as tech stocks led a broad downturn.

The **S&P 500**'s tech sector ended Tuesday's session in the black, rising less than 0.1%, even as shares of Facebook continued falling, shedding $4.41, or 2.6%, to $168.15. Its 9.2% drop this week marks the company's worst two-day stretch since February 2016.

The Federal Trade Commission is investigating the company over the use of personal data by an analytics firm tied to President Donald Trump's campaign, according to people familiar with the matter.

Other social media stocks like Twitter, which dropped 3.63, or 10%, to 31.35, remained under pressure, while shares of Oracle fell 4.90, or 9.4%, to 47.05, after the company late Monday released guidance that didn't impress investors.

Some other tech-oriented companies staged a rebound. Square added 3.11, or 5.7%, to 57.69, and Amazon rose 41.58, or 2.7%, to 1586.51. Amazon on Tuesday overtook Alphabet as the U.S. company with the second-largest market cap. Shares of Alphabet fell 4.27, or 0.4%, to 1095.80.

Michael Farr, chief executive of investment management firm Farr, Miller & Washington, said Facebook could have better responded to the news about its user data. Even so, he said he thinks the company has a strong balance sheet and he is starting to see a buying opportunity for the stock.

"There is a sort of broader concern over the Facebook news about how consumers' data is used and protected," he said. "The market doesn't like it."

The energy sector helped drive the **S&P 500**, rising 0.8% as crude **oil prices** added 2.2% to $63.40 a barrel.

But shares of utility companies, which are seen as bondlike by investors because of their hefty dividends, fell 0.5%. Shares of telecom companies and real-estate firms fell 1% and 0.1%, respectively, while the yield on the benchmark **10**-**year Treasury** note rose to 2.881% from 2.844% the previous day.

Meanwhile, the Dow's gains were buoyed by shares of Boeing, which rose 5.87, or 1.8%, to 337.63. Caterpillar climbed 1.91, or 1.3%, to 154.06. Both stocks had been beaten down in recent sessions by worries about the Trump administration's plans to roll out tariffs on steel and aluminum imports.

Investors are also concerned that an increase in inflation could drive central banks to tighten monetary policy quicker than expected. Money managers are watching for clues Wednesday, after the Federal Reserve's policy meeting, on whether new Chairman Jerome Powell will keep to three rate increases in 2018—futures markets give this scenario a 64% chance, compared with 74% a month ago—or will raise rates four times instead.

The central bank is widely expected to raise interest rates on Wednesday.

Kristina Hooper, chief global market strategist for Invesco, said she thinks the Fed will just increase rates, but she is keeping an eye out for any clues that Mr. Powell wants to alter plans for balance-sheet normalization.

"So while all eyes are on the rate-hike decision, I think that's far less important than what this Fed wants to do with the balance sheet," she said.

Tuesday's rebound comes as money managers are grappling with other worries: Mr. Trump's protectionist agenda has sparked opposition among world leaders, increasing fears of an escalating global trade spat.

"We think the market will remain **volatile** in the next few days because of the news flow, not only the technology sector but also the [Fed] meeting and the possibility of tariffs between the U.S. and China," said Jack Siu, investment strategist for Asia-Pacific at Credit Suisse.

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The New York Times

National Desk; SECTA

A TV Commentator Becomes a Presidential Adviser: Let's Go to the Videotape

By DEBORAH B. SOLOMON and KITTY BENNETT
1,174 words
16 March 2018
The New York Times
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President Trump has a new chief economic adviser. Larry Kudlow, the CNBC commentator who served in President Ronald Reagan's Office of Management and Budget, will become the director of the National Economic Council, a position being vacated by Gary D. Cohn, who said he would resign after losing an internal battle over the president's plan to impose tariffs on foreign metals.

Mr. Kudlow, often on-air and with a flair for provocative punditry, has prognosticated on many economic and political issues in a way that mirrors his future boss.

His predictions, which will soon carry new weight as the president's top economic adviser, have not always been on the mark. The following is a look back at some of his economic predictions that did not bear out.

Housing bubble

''Homebuilders led the stock parade this week with a fantastic 11 percent gain. This is a group that hedge funds and bubbleheads love to hate. All the bond bears have been dead wrong in predicting sky-high mortgage rates. So have all the bubbleheads who expect housing-price crashes in Las Vegas or Naples, Fla., to bring down the consumer, the rest of the economy and the entire **stock market**.'' -- June, 2005

Analysis: Well, we all know what happened. By 2008, the housing bubble popped, home prices were in a free-fall and the mortgage-backed securities that banks had loaded up on were threatening to plunge those firms -- and the economy -- into the abyss.

Home prices in 20 metropolitan areas across the country dropped at a record rate of 18 percent in October 2008 from a year earlier as the fallout from the financial collapse reverberated through the housing market. The housing market has still not recovered completely or evenly and prices in many cities are still below their pre-recession peak.

Housing bubble aftermath

''What's even more incredible is Team Obama's stubborn refusal to have any faith in the free market. In some of the hardest hit areas of the country, markets are already solving the housing problem.

If the government really wants to help, instead of bailing out irresponsible mortgage holders, it should support new and younger families who want to buy starter homes and begin to climb the ladder of prosperity.

All this is free-market economics 101. And I say, let free-markets work.'' -- February, 2009

Analysis: The Obama administration's plan to help homeowners included a litany of programs, including reducing the debt that distressed borrowers owed. The success of these programs was mixed but recent studies show that they did, in fact, help millions of people stay in their homes.

Mr. Kudlow's claim that the markets were already ''solving'' the housing problem was not accurate, given that the housing market still has not recovered in many areas, including those hardest hit.

In 2009, banks were -- and in many cases remain -- incredibly reluctant to make loans to all but the highest-quality borrowers. That does not generally include new and younger families, who have little credit history and are considered riskier than those with a track record of on-time payments. Without the government assisting borrowers who were in danger of foreclosure, the economic fallout from the crisis would have been even deeper, more severe and longer-lasting.

Before the Great Recession

"At home in the U.S., there are still housing-slump worries and concerns about an inventory correction in autos and factories. Former Federal Reserve Chairman Alan Greenspan this week even predicted a recession, naming the budget deficit as the cause. Huh? The deficit is evaporating as record tax revenues are being generated by a solid economy, itself a function of the low marginal tax rates put in place by President Bush." -- March, 2007

Analysis: That solid economy was not so solid after all and Mr. Greenspan's prediction of a recession came true. By December 2007, the United States was officially in the Great Recession. The budget deficit did not evaporate but ballooned and continues to grow today, with the nation approaching a $1 trillion annual deficit.

The Great Recession

"Recessions are therapeutic. They cleanse excess from the economy. Think about excessive risk speculation, leverage, and housing. Recessions are curative: They restore balance and create the foundation for the next recovery. Despite the housing and credit problem and the sub-prime virus, banks are still lending to businesses. So we don't have a genuine credit crunch across the board. That is very good." -- April, 2008

Analysis: Recessions do help reduce leverage -- or debt -- that households and businesses have since loans are no longer easy to come by and creditors demand repayment of past debts. But Mr. Kudlow's "credit crunch" assessment was flawed. Households and businesses did face a real "credit crunch" as banks retrenched and restricted lending to all but the most sterling borrowers.

Bull market

"There's no question that President Clinton's across-the-board tax increases on labor, capital and energy will throw a wet blanket over the recovery and depress the economy's long-run potential to grow." -- March, 1993

Analysis: The period between 1990 and 1999 was the longest **bull market** in history. The **S&P 500** more than tripled during that time and there was not a single **bear market** or dip. The so-called dot com bubble helped fuel that rise until it all came crashing down in the spring of 2000, a situation created by speculation rather than Washington's economic policies.

Stock market

"And let's not forget: The **stock market**, which is a leading indicator of the future economy, is in a wee bit of a correction. Given the recent rise of presidential candidate Donald Trump, we should all be thankful that stocks haven't plunged. Trump's agenda of trade protectionism, dollar devaluation, and immigrant deportation is completely anti-growth. It's like Fortress America in an economy that is completely globalized and where the U.S. must compete in the worldwide race for capital and labor. Trump's policies don't fit." -- August, 2015

Analysis: President Trump was elected and the **stock market** has only climbed. While there have been moments of **volatility** and days that ended in the red, the United States is still experiencing a **bull market** -- stocks were up more than 300 percent at their peak in late January. It's a financial metric that his new boss is quite fond of citing and taking credit for.

Emily Baumgaertner contributed research.

This is a more complete version of the story than the one that appeared in print.

In 2015, Mr. Kudlow said that the policies of the then-candidate Donald J. Trump would sink stocks. Instead, they're still soaring. (PHOTOGRAPH BY JUSTIN LANE/EUROPEAN PRESS AGENCY); Larry Kudlow mocked the idea of a housing bubble in 2005. It popped, spectacularly, three years later. (PHOTOGRAPH BY LAURA RAUCH/ASSOCIATED PRESS)

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THE WALL STREET JOURNAL.

Markets

Earnings Don't Pack Much Punch After Long Stock Rally; Investors wonder if corporate results are 'played out as a catalyst for the bull market'

By Akane Otani
1,007 words
5 March 2018
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Strong corporate earnings have been one of the key drivers of the long-running U.S. stock rally. But this quarter, they failed to provide much of a boost.

The disconnect, coming even as America's banks, oil firms and retailers report some of their best results in years, is raising questions among investors about how much longer a **bull market** heading into its ninth year can continue to rise on the back of solid earnings—especially when U.S. stocks still strike many as being relatively expensive.

"One of the things we always think about is, at the margin, can the story really get any better for earnings?…Or is it played out as a catalyst for the **bull market**?" said Dave Donabedian, chief investment officer at CIBC Atlantic Trust Private Wealth Management.

With nearly all results in for the latest quarter, earnings at companies in the **S&P 500** are on track to grow 15% from a year earlier, the fastest pace since the second half of 2011, according to FactSet. In another sign of strength, a record share of firms have beat analysts' estimates on sales, according to FactSet data going back to 2008.

Yet even as U.S. corporations have shown their businesses are growing at a rapid clip, their shares have in many cases stalled. Companies are being punished for weak results by investors more than they are being rewarded for strong ones: Shares of firms beating analysts' estimates for both earnings and revenue have outperformed the **S&P 500** by an average of 0.8 percentage point the following day, according to a Bank of America Merrill Lynch analysis, below the long-term average of 1.6 percentage points. Meanwhile, shares of firms that missed estimates on both metrics lagged behind the broad index by an average of 1.4 percentage points, compared with a historical average of 2.4 percentage points.

"We've gotten to that stage of the cycle where we're getting pretty consistently good news on the economic and corporate front, and maybe we have a situation where companies that continue to beat expectations are largely expected to do so at this point," said Jason Pride, chief investment officer for private clients at Glenmede Trust Co.

To be sure, many say the **stock market**'s recent stumble has more to do with concerns about interest rates and inflation than questions about the health of U.S. corporations. Stocks tumbled in February as a number of **volatility**-tied bets collapsed and bond yields jumped to multiyear highs, spurring fears about whether the Federal Reserve would have to pick up its pace of interest-rate increases.

Even after notching its biggest monthly slide in more than two years, the **S&P 500** is trading at roughly 22 times its past 12 months of earnings, above its 10-year average of 17. While stretched valuations don't necessarily end bull markets, they can make investors less enthusiastic about buying shares, even when the economic picture looks solid.

Among the companies caught in the crossfire: Prudential Financial Inc., whose shares slid 7% on Feb. 8, a day after the firm said fourth-quarter earnings jumped in part due to the U.S. tax overhaul. The broader **S&P 500** fell 3.8% that day and into correction territory for the first time in two years.

Shares of Walt Disney Co., which reported stronger-than-expected earnings on Feb. 6 as its theme park business continued to grow, lost 1.3% the following day, while the **S&P 500** closed down 0.5%.

Those who believe earnings are ultimately the biggest driver of the **stock market** say last month's selling likely marked a temporary downturn, not a turning point for the rally.

"Because the market has been so focused on interest rates and inflation risk, we could have had a situation where market **volatility** obfuscated the underlying trend," said Jonathan Golub, chief U.S. equity strategist at Credit Suisse. With data suggesting economic growth will continue to accelerate , not just in the U.S. but around the world, companies should continue posting strong results throughout the year, Mr. Golub said.

Still, some worry that much of the improvement in earnings estimates since the start of the year has been due to the U.S. tax overhaul, as opposed to long-term changes in companies' potential.

While analysts have bumped up their estimates for earnings growth, with full-year projections up to about 19% from 12% at the start of the year, changes in expectations for revenue growth have been more lackluster, nudging up to 7% from 6% at the start of the year, according to RBC Capital Markets.

The fact that earnings growth estimates have risen much faster than revenue estimates initially "left a bad taste in our mouths," said Lori Calvasina, head of U.S. equity strategy at RBC Capital Markets. At the same time, Ms. Calvasina said it wouldn't be surprising to see estimates continue to rise throughout the year, as the consumer appears to be on strong footing and the economy is still growing.

Other analysts and investors are questioning whether solid results have now largely been priced into the market after six consecutive quarters of earnings growth. That could leave stocks vulnerable to another pullback if future earnings fail to match the lofty heights they hit at the start of the year.

Even so, many analysts remain optimistic that corporate earnings will continue to tick higher in the coming months, which they say should help keep stocks grinding higher, albeit perhaps at a slower pace than in 2017.

"People are sometimes just happy not being happy. But the bottom line is that it's a really solid environment for stock investing," Credit Suisse's Mr. Golub said.

Write to Akane Otani at akane.otani@wsj.com

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The New York Times

Business/Financial Desk; SECT
Stocks Drop as Trump's Tariffs Rattle Markets

By MATT PHILLIPS
353 words
2 March 2018
The New York Times
NYTF
The New York Times on the Web
English

President Trump's vow to impose tariffs on steel and aluminum next week rattled **financial markets** Thursday.

Stocks, which had already been down for the day, slipped further after the White House announced the planned tariffs. The **Standard & Poor's 500**-**stockindex** fell 1.2 percent to 2,682 Thursday afternoon, after falling roughly 2 percent earlier in the day.

Shares of automakers such as Ford and General Motors, large consumers of steel and aluminum, fell sharply, as the tariffs would raise the cost of raw materials.

''Historically, the automakers have to absorb these costs,'' said Colin Langan, an analyst at UBS who covers automakers. ''Consumers don't adjust their price expectations based on higher steel prices.''

Shares of industrial companies also dropped, led by exporters such as Boeing and United Technologies.

On the other hand, some companies that sell industrial metals saw their stock prices rise, with shares of AK Steel up roughly 8 percent and U.S. Steel jumping more than 6 percent.

The prospect of a protectionist policy push forced investors Thursday to rethink whether that could derail a global economy that has been growing across the board over the last year.

In fact, until Mr. Trump's comments on Thursday, the prevailing worry for investors seemed to be that economic growth -- both in the United States and around the world -- was so robust that the Federal Reserve might move quickly to raise interest rates in order to fend off inflation.

Those concerns led to a sharp sell-off in the **stock market** in early February, with the S.&P. at one point down more than 10 percent from its January peak.

Mr. Trump's comments seemed to overshadow those concerns, at least for the moment. The yield on the **10**-**year Treasury** note -- which moves in the opposite direction of its price -- dropped sharply Thursday as investors scurried to the safety of American government bonds. After flirting with 3 percent in recent weeks, the yield was hovering near 2.80 percent Thursday afternoon.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

Tech Shares Send Market Lower; Amazon drops 4% amid fears of more oversight; Tesla down nearly 8%

By Amrith Ramkumar and Georgi Kantchev
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Shares of big technology firms came under more pressure Wednesday amid fears of increased regulatory oversight, pulling major indexes lower in another **volatile** session.

After powering the broader market for the past year, technology and internet stocks have fallen recently, dragging the broader market down with them. The **S&P 500**'s information technology sector has been the index's worst performer over the past week. The consumer discretionary sector, which houses such tech-focused giants as Amazon.com and Netflix, has also been hit hard.

Backlash over how social-media firms manage user data and doubts that Facebook and Alphabet, the parent company of Google, can extend their dominance in digital advertising have hurt sentiment in recent sessions. Those challenges have cropped up at a time when the prospect of higher interest rates and trade disruptions had already made investors nervous about the tech sector, which is still up 24% over the past year.

"Those are the triggers that finally will force investors to look at the high valuations they've been paying for those stocks," said Wasif Latif, vice president of equity investments at USAA Asset Management, who prefers industrial, health-care and consumer stocks.

"Technology has been the poster child for growth, innovation and greater earnings, but has also been the poster child for higher [valuations]," he added.

The tech-heavy **Nasdaq Composite** dropped 59.58 points, or 0.9%, to 6949.23, underperforming the Dow industrials and the **S&P 500**. The Dow closed down 9.29 points, or less than 0.1%, at 23848.42, while the **S&P 500** declined 7.62 points, or 0.3%, to 2605.00. All three indexes have fallen in five of the past six sessions.

Shares of Facebook, which have fallen 14% this month, rose 81 cents, or 0.5%, to $153.03 after the company said it would make it simpler for users to examine and change some of their data tracked by Facebook.

Amazon was among the worst performers Wednesday in the **S&P 500**, losing 65.63, or 4.4%, to 1431.42 amid speculation that the White House wants to clamp down on the e-commerce giant's growing dominance. Axios reported President Donald Trump is "obsessed with Amazon" and has discussed changing Amazon's tax treatment due to concerns about how the company is affecting mom-and-pop businesses.

Netflix, meanwhile, declined 14.92, or 5%, to 285.77, and Apple was down 1.86, or 1.1%, to 166.48 after Goldman Sachs analysts lowered their estimates of iPhone demand for the March and June quarters. Dozens of iPhone owners are also taking Apple to court over the company's disclosure that it slowed down old phones to preserve battery life.

Tesla dropped 21.40, or 7.7%, to 257.78, extending Tuesday's tumble, amid an investigation into a fatal Tesla crash and following a Moody's Investors Service rating downgrade on the electric auto maker's debt.

Energy stocks fell alongside **oil prices** Wednesday after data showed inventories grew during the week ended March 23. The **S&P 500** energy sector shed 2%.

With some riskier investments falling, some investors put money into bonds. The yield on the benchmark 10-year U.S. Treasury note fell to 2.777% from 2.790%, its lowest close since Feb. 6. Yields fall as prices rise.

Stocks hit record highs in late January, but have since been dragged down by concerns over rising inflation, the prospect of tightening monetary policy by major central banks and the possibility of a global trade war.

Still, many investors aren't convinced markets have turned, citing strong economic growth around the world.

On Wednesday, fourth-quarter U.S. economic growth was revised to 2.9%, higher than the previous estimate of 2.5%. Meanwhile, a survey showed that consumer sentiment in Germany, Europe's largest economy, was set to rise in April.

"The macro fundamentals haven't dropped off the table. They're where they've been over the last several years, and that's been a good place to be," said John Velis, macro strategist at State Street Global Markets.

Mr. Velis said he expects optimism about the global economy to contribute to further market swings, adding he wouldn't be surprised to see stocks yield mid-single digit returns in 2018.

Write to Amrith Ramkumar at amrith.ramkumar@wsj.com and Georgi Kantchev at georgi.kantchev@wsj.com

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The New York Times

Business Day
Larry Kudlow's Not-So-on-the-Money Predictions

By Deborah B. Solomon and Kitty Bennett
680 words
15 March 2018
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English

President Trump has a new chief economic adviser. Larry Kudlow, the CNBC commentator who served in President Ronald Reagan's Office of Management and Budget, will become the director of the National Economic Council, a position left vacant after Gary D. Cohn resigned in protest to the president's tariffs on foreign metals.

Mr. Kudlow, often on-air and with a flair for provocative punditry, has prognosticated on many economic and political issues in a way that mirrors his future boss.

His predictions, which will soon carry new weight as the president's top economic adviser, have not always been on the mark. The following is a look back at some of his economic predictions that did not bear out.

Housing bubble

Analysis: Well, we all know what happened. By 2008, the housing bubble popped, home prices were in a free-fall and the mortgage-backed securities that banks had loaded up on were threatening to plunge those firms — and the economy — into the abyss.

Home prices in 20 metropolitan areas across the country dropped at a record rate of 18 percent in October 2008 from a year earlier as the fallout from the financial collapse reverberated through the housing market. The housing market has still not recovered completely or evenly and prices in many cities are still below their pre-recession peak.

Housing bubble aftermath

Analysis: The Obama administration's plan to help homeowners included a litany of programs, including reducing the debt that distressed borrowers owed. The success of these programs was mixed but recent studies show that they did, in fact, help millions of people stay in their homes.

Mr. Kudlow's claim that the markets were already "solving" the housing problem was not accurate, given that the housing market still has not recovered in many areas, including those hardest hit.

In 2009, banks were — and in many cases remain — incredibly reluctant to make loans to all but the highest-quality borrowers. That does not generally include new and younger families, who have little credit history and are considered riskier than those with a track record of on-time payments. Without the government assisting borrowers who were in danger of foreclosure, the economic fallout from the crisis would have been even deeper, more severe and longer-lasting.

Before the Great Recession

Analysis: That solid economy was not so solid after all and Mr. Greenspan's prediction of a recession came true. By December 2007, the United States was officially in the Great Recession. The budget deficit did not evaporate but ballooned and continues to grow today, with the nation approaching a $1 trillion annual deficit.

The Great Recession

Analysis: Recessions do help reduce leverage — or debt — that households and businesses have since loans are no longer easy to come by and creditors demand repayment of past debts. But Mr. Kudlow's "credit crunch" assessment was flawed. Households and businesses did face a real “credit crunch” as banks retrenched and restricted lending to all but the most sterling borrowers.

Bull market

Analysis: The period between 1990 and 1999 was the longest **bull market** in history. The **S&P 500** more than tripled during that time and there was not a single **bear market** or dip. The so-called dot com bubble helped fuel that rise until it all came crashing down in the spring of 2000, a situation created by speculation rather than Washington’s economic policies.

Stock market

Analysis: President Trump was elected and the **stock market** has only climbed. While there have been moments of **volatility** and days that ended in the red, the United States is still experiencing a **bull market** — stocks were up more than 300 percent at their peak in late January. It’s a financial metric that his new boss is quite fond of citing and taking credit for.

Emily Baumgaertner contributed research.

Larry Kudlow, a longtime cheerleader of President Trump, will assume the role as his top economic adviser. | Richard Drew/Associated Press

Document NYTFEED020180315ee3f003bh

THE WALL STREET JOURNAL.

U.S. Markets
Markets

U.S. Stocks Rise as Tariff Plans Face Pushback; Investors' concerns of a trade war ease as senior Republicans express opposition to tariffs

By Riva Gold and Allison Prang
799 words
6 March 2018
05:05 PM
The Wall Street Journal Online
WSJO
English

* **Dow Jones Industrial Average** slightly higher

* European auto shares jump as trade fears ease

* Italian markets reverse postelection losses

The **S&P 500** climbed Tuesday, notching a third straight day of gains, as investors weighed signs of opposition in Washington to planned U.S. tariffs on steel and aluminum imports.

Expectations for escalating trade tensions dragged down stocks around the world last week, as investors worried that rising materials costs and retaliatory trade measures could hurt companies' bottom-lines.

In recent sessions, though, pushback to the planned tariffs from some senior Republicans has helped soothe investors' nerves, with House Speaker Paul Ryan saying Tuesday that the White House should take a "more surgical or more targeted" approach to trade policy.

"Our view is that it's going to be really difficult to institute this kind of steel tax in perpetuity without some adjustments," said Jeff Mills, co-chief investment strategist at PNC Financial Services Group, who is advising clients not to alter their portfolios at this stage in light of trade developments.

Still, investors are keeping in mind the impact of trade tariffs, as well as ongoing worries about inflation, said Kate Warne, investment strategist for Edward Jones.

"I think tariffs will continue to be an issue for investors going forward because the major impact isn't just what the U.S. does," she said. The rest of the world's response to U.S. tariffs is also something to think about, she added.

The **Dow Jones Industrial Average** rose 9.36 points, or less than 0.1%, to 24884.12, recouping losses after declining more than 150 points earlier in the session. The **S&P 500** rose 7.18 points, or 0.3%, to 2728.12 and the **Nasdaq Composite** advanced 41.30 points, 0.6%, to 7372.01.

Gains were broad, with nine of the 11 sectors in the **S&P 500** posting advances for the day.

Shares of materials companies led advances in the **S&P 500**, rising 1.1% and notching their second straight day of gains.

Shares of consumer discretionary companies rose 0.7% in the **S&P 500**, with Leggett & Platt adding $1.58, or 3.6%, to $45.51 and Netflix adding 10.22, or 3.2%, to 325.22.

Meanwhile, the **S&P 500** utilities sector fell 1.4%, the biggest decliner in the broad index. Shares of FirstEnergy fell by 78 cents, or 2.4%, to 31.85, posting the steepest one-day percentage loss within the sector.

Elsewhere, the Stoxx Europe 600 closed up 0.1% and Germany's export-heavy DAX added 0.2%, lifted by gains in shares of auto makers.

Stocks and bonds in Italy rallied, with the benchmark FTSE MIB closing up 1.8%, more than reversing Monday's decline.

Italy entered a fresh period of political instability after weekend national elections boosted populists but failed to produce a winner with enough support to patch together a parliamentary majority.

"It's almost the worst outcome for markets that we could envisage: a long period of uncertainty ahead, and it's hard to see how a stable government can be formed," said Richard Turnill, BlackRock's global chief investment strategist.

Still, there is limited scope for the results to spill over into other European assets, and investors are already very familiar with Italian political uncertainty, he said.

In Asian trading, shares of export-oriented companies climbed as trade tensions eased.

Hong Kong stocks led gains in Asia, with the Hang Seng Index up 2.1% after Monday's 2.3% slide, led by index heavyweight Tencent and shares of banks that had fallen in the previous session.

Japan's Nikkei Stock Average was up as much as 2.4% before giving up some of its gains as Bank of Japan Gov. Haruhiko Kuroda again touched on an eventual exit from the bank's ultra-easy monetary policy. The Nikkei still ended up 1.8%, snapping a four-day losing streak.

The South Korean won was up 1.3% against the dollar late Tuesday in New York after North Korean leader Kim Jong Un told a visiting South Korean delegation that he was willing to hold talks with the U.S. about giving up nuclear weapons and normalizing relations with Washington, and would halt weapons tests during any negotiations, officials in Seoul said.

South Korea's Kospi Composite Index rose 1.5%, ending a four-day losing streak.

Ese Erheriene contributed to this article.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets
U.S. Stocks Trade Lower; Mounting investor anxiety over trade protectionism hits stocks world-wide

By Corrie Driebusch, Riva Gold and Daniel Kruger
1,005 words
5 March 2018
11:51 AM
The Wall Street Journal Online
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Corrections & Amplifications

Shares of U.S. Steel rose 4.3% for the week ended Friday. An earlier version of this article incorrectly said the shares declined 4.3%. (March 5, 2018)

The possibility of trade disputes stirred **financial markets** as investors assessed a potential disruption to global growth.

The **Dow Jones Industrial Average** closed down 0.3% Friday, recovering most of morning losses that worsened after President Donald Trump doubled down with tweets on a pledge made a day earlier to impose stiff tariffs on steel and aluminum imports .

His plan sent overseas stocks tumbling and was met with warnings of retaliation across Asia, Europe and North America.

Japan's Nikkei Stock Average ended the day 2.5% lower as steelmakers and car manufacturers came under pressure, while London's FTSE 100 returned to levels last seen in 2016.

Despite staging a comeback, major U.S. indexes suffered their worst week since early February.

Although the market scare over the tariffs at least temporarily abated, a number of other fears linger as investors reassess the prospects for continued global growth, brace for the possibility of a broader trade war and await the outcome of an parliamentary election in Italy.

"Protectionism is not a good thing, and the ramifications for this could be significant," said Michael Farr, president of money-management firm Farr, Miller & Washington, adding that the strategy Mr. Trump is posturing could take a swipe at growth around the globe. "This is a big deal."

He added that the **stock market**'s recovery in afternoon trading is encouraging, but there's reason to remain wary. "Starting a trade war would be reckless," he said. "I don't think you can be sanguine talking about any war, even if it's just economic. There will be suffering, there will be serious casualties."

The **Dow Jones Industrial Average** ended Friday down 70.92 points at 24538.06, putting its weekly decline at 3%. Friday, the **S&P 500** rose 0.5% and the **Nasdaq Composite** gained 1.1%, though the indexes posted weekly losses of 2% and 1.1%, respectively.

In a flight to relative safety, gold rose 1.4% to $1,321.10 a troy ounce, shares of gold miners jumped and the yen strengthened 0.5% against the dollar. But government bonds found little support. Yields on 10-year Treasurys rose to 2.855% Friday from 2.802% Thursday. Yields rise as prices fall.

Mr. Trump's trade proposal, as well as comments from new Federal Reserve Chairman Jerome Powell earlier in the week, added to an investment landscape already characterized by fears about inflation and tighter monetary policy. These jitters have rendered stock and bond markets more susceptible to big swings in recent weeks, as investors worry that a yearslong policy of low short-term interest rates and accommodative central banks could be upended more quickly than expected.

James Bianco, head of advisory firm Bianco Research, said expectations for an uninterrupted stream of stimulus by foreign central banks created an environment that allowed investors to discount potentially disruptive events.

"We talked about the exit for nine years, and no one thought it would happen until last month, said Mr. Bianco, referring to discussions among global central-bank policy makers about halting bond purchases. "If [President Trump] made this announcement six weeks ago, the markets would've rolled through it."

"We're emotionally spent with Trump," he added. "We've thrown so many shoes at the TV, we're about out of shoes."

Leaders around the world are expected to respond to Mr. Trump's tariff plan, stirring more uncertainty for markets. Already the government of Ontario, home to the bulk of Canada's steel production, urged Prime Minister Justin Trudeau to "aggressively explore all options" if the Trump administration pushes ahead with the broad tariffs. Meanwhile, European Commission President Jean-Claude Juncker said Europe would respond with tariffs on Harley-Davidson motorcycles, bourbon and blue jeans.

"What investors are reacting to is how will this affect global growth," said James Norman, president at QS Investors, which manages roughly $22 billion. "No one wins a trade war."

"The most important takeaway from this week is uncertainty has increased," he added.

The Cboe **Volatility** Index, often referred to as Wall Street's fear gauge, jumped on Thursday to its highest reading since early February. Though it pared its gains on Friday, it still ended the week sharply higher.

Some U.S. companies such as metals producers may benefit from the new tariffs, but their customers, including car makers and construction companies, may be faced with higher purchase costs, which may be passed down to consumers, analysts said.

"We are one of the biggest exporters in the world," said Erik Davidson, chief investment officer at Wells Fargo Private Bank, noting that companies in the U.S. that export a lot, or big technology companies with significant overseas revenue, could be hurt if this escalates and spills over into other areas. "In a trade war, everybody loses."

Some export-oriented U.S. companies also warned of the risks of retaliatory measures that could hurt their sales outlook as their share prices fell. Among the worst decliners in recent days was Boeing, whose shares fell over 1% Friday, ending the week down 3.4%.

U.S. Steel also dropped more than 1% Friday, but it was up 4.3% for the week.

Global industrial giants and car makers were also among the biggest decliners Friday. General Motors fell 1%, Fiat Chrysler Automobiles sank 5.7% and Ferrari fell 3.7%.

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THE WALL STREET JOURNAL.

Markets

Bond Investors Ask What's Next as Yields Plateau; The yield on the 10-year Treasury note posted its largest quarterly increase since December 2016, despite stalling in March

By Daniel Kruger
950 words
30 March 2018
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English

Investors ended the quarter asking whether the Treasury market selloff has abated.

The yield on the benchmark 10-year U.S. Treasury note posted its third consecutive quarterly gain, boosted by surging expectations for growth and inflation in the wake of a $1.5 trillion tax cut passed at the end of last year.

Proponents of the tax cut said lower levies on corporations would lead to increases in business investment and worker wages, spurring demand and juicing inflation. Inflation undermines the value of bonds by eroding the purchasing power of their fixed interest payments and their principal.

Data showed wages and consumer prices rose in January, encouraging more investors to sell government bonds and driving the yield on the benchmark **10-year Treasury** more than half a percentage point higher in less than two months. Yields rise as **bond prices** fall.

But the rise in yields stalled in March. The strong January wage data was revised lower in the following month's labor report. Subsequent weaker-than-forecast inflation data suggested the tax cuts were unlikely to spur growth that matched the move in market expectations. Bonds also attracted buyers as rising yields have spooked some **stock-market** investors, leading to a surge of **volatility** in **financial markets** after a placid 2017.

"The move is in some ways very similar to what we saw after the election" as expectations for acceleration of growth and consumer prices sent investors pouring into stocks and out of bonds, said Wan-Chong Kung, a bond fund manager for Nuveen. "There's been some tempering of this inflation optimism," she said. "There's some healthy skepticism about growth."

The most recent inflation data showed a loss in momentum. The Labor Department said on March 13 that the consumer-price index, which measures what Americans pay for everything from laundry detergent to motorcycle helmets, rose 2.2% year over year in February, below the 2.3% estimated by economists surveyed by The Wall Street Journal. Core prices rose 1.8% for a third consecutive month, also below economists' expectations.

The 10-year yield reached a four-year peak at 2.943% on Feb. 21, and has since fallen to 2.741%. The increase of 0.332 percentage points was the largest for a quarter since December 2016.

Investors will head into the second quarter looking for signs of whether Federal Reserve officials are edging closer to signaling a fourth interest-rate increase this year. After policy makers raised interest rates at their March meeting, the officials' forecasts showed they are moving closer to the view that they should accelerate the pace of rate increases this year.

Most Fed officials still expect to raise rates no more than three times this year. While policy makers forecasting four rate increases in 2018 remained short of a majority, that cohort of central bankers grew to seven in March from four in December. Policy makers also boosted their projections for the pace of rate increases in both 2019 and 2020.

Those forecasts notwithstanding, many investors said they thought Fed Chairman Jerome Powell showed a bias toward a slower approach to raising interest rates in his first news conference speaking for the central bank. Fed-funds futures, which investors use to bet on central-bank policy, late Thursday showed the chances that the Fed will boost rates for four times this year at 32%, compared with 31% a week before, according to the CME Group.

"The Fed's going to have to be convinced to go to four, and right now I'm not seeing this," said Andrew Brenner, head of global fixed income at NatAlliance Securities. "I'd be leaning more towards two than four."

The rising supply of short-term debt being sold at the same time the Fed is raising interest rates is pushing up two-year yields in relation to the 10-year yield, leading to a smaller gap between two- and **10-year Treasury** yields. That gap, known as the yield curve, is sometimes seen by investors as a measure of economic health, with steeper, more positively sloped curves signaling a better growth outlook.

Investors also are grappling with the relationship between stock prices and bond yields, as an array of crosscurrents are adding to the uncertainty about the direction of **financial markets**. Rising bond yields in February helped instigate a tumble for stocks as investors became increasingly concerned that the climb might curtail economic growth and reduce the appeal of stocks in analysts' valuation formulas, which often consider bond yields.

At the same time, investors are trying to assess how the economy will respond to a weakening dollar, rising **oil prices** and bond-market credit spreads. With the yield gap between corporate bonds and Treasurys narrowing during the economic expansion, a reversal in that trend could signal problems for the economy.

"There are enough reasons to think that **volatility** is here to stay for the rest of 2018," said Daniela Mardarovici, who helps manage the BMO TCH Core Plus Bond Fund.

Write to Daniel Kruger at Daniel.Kruger@wsj.com

Quarter-End Report

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THE WALL STREET JOURNAL.

U.S. Markets
Markets
U.S. Stocks Higher as Trade-War Fears Ease; Economic data help investors put aside concerns about President Trump's protectionist trade agenda

By Michael Wursthorn and Georgi Kantchev
744 words
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The Wall Street Journal Online
WSJO
English

The **Dow Jones Industrial Average** jumped Monday to give the blue-chip index its first gain in five trading sessions.

Several investors said the threat of a trade war over planned tariffs on steel and aluminum imports diminished slightly as administration officials, including Commerce Secretary Wilbur Ross, played down concerns on Sunday's television talk shows. Opposition to the plan has increased from within President Donald Trump's own party on Monday, after House Speaker Paul Ryan warned the White House to drop the tariffs, while top Republicans overseeing trade policy began circulating a letter to Mr. Trump expressing their concerns.

"The trade issues are part of the unknown," said Mark Stoeckle, chief executive and senior portfolio manager of Adams Funds. "It's hard to know with this administration as to whether it's a negotiating posture or whether they're going to stick with it."

Investors who are currently making trades because of the implications of the tariffs are "guessing," Mr. Stoeckle added.

That, along with new economic data that continued to show a steadily expanding U.S. economy, helped reinvigorate investors who had been rattled by the tariffs and whether the Federal Reserve will have to hasten its pace of short-term interest-rate increases to keep inflation at bay.

The **Dow Jones Industrial Average** rose 336.70 points, or 1.4%, to 24874.76 after falling roughly 151 points earlier in the session. The **S&P 500** gained 29.69 points, or 1.1%, to 2720.94, while the **Nasdaq Composite** added 72.84 points, or 1%, to 7330.70.

Shares of manufacturers and other industrial heavyweights helped to lead major indexes higher, with many investors using the recent pullback following the tariff news as a chance to buy stock at discounted prices, analysts said. The Dow industrials snapped a four-session losing streak, while the **S&P 500** and **Nasdaq Composite** rose for a second consecutive trading day.

Dow component Boeing recovered from an early-session fall to help lead the blue-chip index higher. Shares of the aerospace giant rose $8.08, or 2.3%, to $352.75, contributing roughly 56 points to the Dow's gain. Manufacturer Caterpillar also saw big gains, with its shares rising 4.74, or 3.2%, to 151.12, while General Electric added 30 cents, or 2.1%, to 14.42.

A strong global economic upswing had supported risk assets at the beginning of the year but the rally reversed quickly in February and **volatility** spiked. Signs of rising inflation in the developed world fueled concerns that the Federal Reserve could push interest rates up faster than previously expected, making stocks less attractive.

Investors have had to balance those fears against companies reporting their best profits in years and signs the U.S. economy continues to steadily expand, both of which are supportive backdrops for stocks.

New data Monday showed that growth across U.S. service industries continued at a solid pace in February, according to the Institute for Supply Management's nonmanufacturing index.

"The [service] numbers were strong and suggest the economy is accelerating," said Brad Neuman, client investment strategist for Alger, a growth equities asset manager based in New York. The latest economic data, along with the strong fourth-quarter profit results "will drive a significant boost to the economy," he added.

Still, investors are concerned that markets are in a fragile state since their selloff last month, with the Cboe **Volatility** Index, or VIX, a measure of expected swings in the **S&P 500**, remaining elevated since then. The February U.S. jobs report, due Friday, will be closely watched for signs of wage growth and inflation trends, several investors said.

Elsewhere, the Stoxx Europe 600 gained 1% to also notch its first gain in five trading sessions after an inconclusive Italian vote , while markets in Asia mostly finished down. Hong Kong's Hang Seng Index fell 2.3%, while Japan's Nikkei shed 0.7%, on concerns of global trade frictions.

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THE WALL STREET JOURNAL.
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Investors' Overriding Fear: Missing Out on Stock Rally

By Christina Rexrode, Akane Otani and Lisa Beilfuss
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1 March 2018
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English

Justin Beghly sold stocks in early 2017 on a hunch that Donald Trump's presidency would be bad for markets. That was a call he came to regret and later waded back in. So when stocks tumbled in early February, Mr. Beghly sat tight, not wanting to repeat his mistake.

"It's a terrible thing to try to time the market," said the 40-year-old resident of Fayetteville, Ark.

Plenty of other everyday investors thought the same. For them, fear of missing out on the next leg of the **bull market** still outweighed fears of a big correction.

The market's gyrations the past month shocked many of these investors, coming after a long period of calm and steadily rising share prices. Early in the month, the **S&P 500** and **Dow Jones Industrial Average** both fell into correction territory -- marked by a 10% decline from their most recent highs -- while the latter experienced its biggest-ever intraday point swing.

Calm on the part of many everyday investors may have helped share prices rebound. By the end of the month the S&P and Dow had rebounded by 5.1% and 4.9%, respectively, from their Feb. 8 lows and are now down just 5.5% and 6% from their Jan. 26 highs. Both indexes are also up year to date, after briefly pulling into negative territory early on.

Stock markets on Wednesday took a late-session tumble with the **Dow Jones Industrial Average** falling 380.83 points, or 1.5%, to close the month at 25029.2. That left the blue-chip index down about 4% in February, breaking a 10-month winning streak.

Investors did pull a record amount of money out of mutual funds and exchange-traded funds that track stocks at the beginning of February. But they withdrew less the following two weeks, according to EPFR Global, a fund-tracking firm. That suggested an initial rush out of stocks quickly subsided.

Although institutional investors dominate stock trading, how individual investors react to market moves is important for overall market sentiment as well as the flow of funds into and out of different asset classes held in mutual funds, retirement accounts and employer-sponsored programs.

Many of those investors, though, find themselves stuck with today's market, despite worries that valuations have become stretched. Although interest rates have begun to rise -- that was one factor that recently hurt share prices -- they remain low enough that government and corporate bonds are considered expensive and cash isn't much of an alternative.

Matt Phillips, a retired cardiologist in Austin, Texas, said that in 2008 he fretted over the market while his wife, Sherry, remained sanguine. This time, they have reversed roles.

At her urging, Dr. Phillips called their financial adviser when the market started to spiral down in early February but was told the best course of action was to do nothing. He heeded the advice.

The 61-year-old said he prefers the risk that the couple's investment balances might shrink than the certainty that they would stagnate if the holdings were moved to cash.

"If you took it out, what would you do with it then?" Dr. Phillips said. "The only option is to leave it in and hope for the best."

The danger is that individual investors become complacent, which could leave them less prepared for some big market move.

Risks of complacency are potentially amplified by a broader shift in investor behavior. Over the past decade, investors have veered from active stock picking to passive investing, buying baskets of stocks and other investments that seek to match an index's returns rather than trying to beat the market.

A more passive approach can also be a benefit, though, and helped some investors to avoid being reactive. Barbara James, a 50-year-old romance writer in New York, said she panicked during the 2008 crash and sold stocks when the market was falling, missing out on the rally that began in 2009.

This time around, she kept her money in stocks and makes a conscious effort to not check her accounts as often. "Now I just look when I know the markets went up," she said.

Surveys, too, suggest the recent **volatility** has done little to damp investor optimism for long-term gains. The week after the **S&P 500** fell into correction territory, 49% of investors told the American Association of Individual Investors that they thought stocks would rise over the next six months, up from 37% the week before.

Even so, individual investors aren't as upbeat about stocks as at the heights of previous stock rallies, like before the tech bubble burst in March 2000 or during the run-up to the 2007 housing crisis. To investors who believe bull markets wither when euphoric investors begin taking extreme risks, the current, relatively contained level of enthusiasm is a positive.

One reason investors are likely feeling upbeat: They are sitting on years of gains. This gives many a different perspective on sudden market moves.

Anna Howard, who teaches engineering at North Carolina State University in Raleigh, said she was skeptical of January's surge in share prices, which took major indexes to levels many analysts had forecast for year-end.

"January was too hot, too fast," she said. "It felt like funny money."

Despite that, and the prospect of having to probably liquidate some holdings due to a child starting college later this year, Dr. Howard left her investments untouched. She held fast, too, when markets then fell.

"My funds are about where they were in October, but it's hardly the end of the world," she said. "Now if they start being where they were in October of 2012, then I'm going to be unhappy."

Even Mr. Beghly, who is studying for a master's degree in education, is feeling pretty calm. He used the dip to buy shares of Facebook Inc.

"I know there are ups and downs and that's to be expected," he said.

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THE WALL STREET JOURNAL.
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Investors Unsettled By Shift In Havens

By Ira Iosebashvili, Amrith Ramkumar and Daniel Kruger
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31 March 2018
The Wall Street Journal
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A1
English

Investments that typically serve as havens in times of stress are moving in strange ways, highlighting the unsettled condition of **financial markets** as they head into the second quarter.

The dollar and the yen have both strengthened recently, which is typical when investors are looking to unwind risk. But other assets that usually rally for similar flight-to-safety reasons haven't fared so well. Gold, the Swiss franc and Treasurys have fallen since the **Dow Jones Industrial Average** slumped 9.4% from its Jan. 26 high.

That divergence is confounding analysts and investors. It marks a stark reversal from other recent periods of market disruption in 2011 and late 2015-early 2016. Both those times, the dollar and yen rallied alongside Treasurys and gold when nervous investors flocked to safer assets as stocks fell, according to data from Ned Davis Research.

With many investors intent on paring risk, "the normal correlations you expect to see don't work so well," said Said Haidar, head of New York-based Haidar Capital Management, which manages nearly $428 million.

It is the latest sign that **financial markets** may be navigating uncharted territory as years of central-bank stimulus start to wind down while long-dormant **volatility** returns and borrowing costs rise. Corporate earnings have been strong, but growth and inflation remain tepid and face threats like possible disruptions to global trade.

"The big burning question right now is 'Where is the safe haven?'" said Christopher Stanton, chief investment officer at Sunrise Capital LLC, a California-based firm that manages around $250 million.

Utility and real-estate shares in the **S&P 500**, popular with investors seeking relative safety because of their dividend payments, have fallen less than the broader index's 8.1% drop.

But U.S. government bonds have been less predictable. Yields, which rise as prices fall, hit multiyear highs earlier in 2018 even as stocks tumbled from their peak in January. Then Treasurys rallied, pulling the yield on the benchmark 10-year U.S. Treasury note down from nearly 3%, a level it hasn't hit since 2013.

For some analysts, the clearest explanation for the divergence is the unwinding of yearslong stimulus policies.

Trillions of dollars in monetary stimulus pumped into the markets by the Federal Reserve, Bank of Japan and European Central Bank over the past few years tended to smooth out **volatility** and cut short market routs.

"Most of these things performed as expected before, because there were no rate hikes on the horizon," said Joseph Kalish, chief global macro strategist at Ned Davis Research.

Expectations of rising rates tend to hurt the value of outstanding bonds issued during periods of lower rates and crimp the performance of assets like gold, which become less attractive to yield-seeking investors when borrowing costs rise.

The market is adjusting from an environment where there was little **volatility** in 2017 to a resurgence since February, said Quincy Krosby, the chief market strategist at Prudential Financial.

"We were trained by the Fed to buy the dips, and it worked," Ms. Krosby said. Now that the Fed appears to be intent on raising rates and has called stocks overvalued, "the dip will have to be deeper before investors come in."

Others point to the unwinding of popular trades in recent weeks.

Some investors had placed outsize bets on more gains in areas such as big technology stocks, while wagering against interest-rate sensitive sectors.

Now they are being forced to cut back their positions in tech, while buying back bonds, as the government increases its scrutiny of Facebook Inc. and other internet firms.

Mr. Haidar of Haidar Capital Management is now betting that prices of government bonds in places like Spain, Italy and New Zealand will rise, as he believes that a mild slowdown in global growth will force central banks around the world to become less hawkish.

Concerns about inflation and growth have hit bonds too. The gap between two- and **10**-**year Treasury** yields recently shrank to its narrowest since 2007, a sign of weakening sentiment about the prospects for long-term growth.

At the same time, fears of a pickup in inflation, which sparked selling in bonds earlier in the year, have ebbed recently and market-based measures of investors' expectations for price increases have retreated from recent highs.

Inflation poses a threat to the value of government bonds because it erodes the purchasing power of their fixed payments.

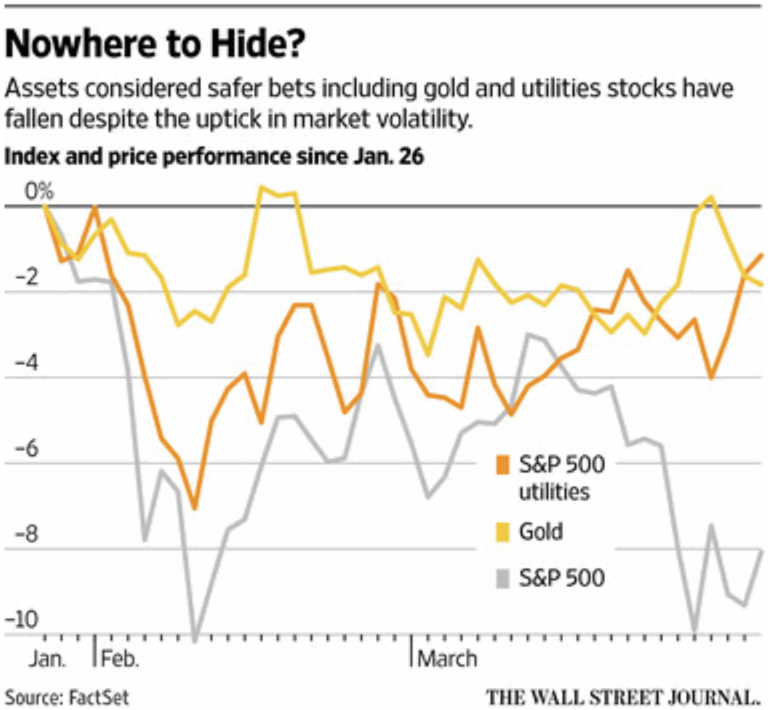
"It appears to be a regime shift from last year," said Christopher Sullivan, a portfolio manager at United Nations Federal Credit Union. "The uncertainty level has compounded exponentially."

Mr. Sullivan said he had shifted his Treasury holdings into longer-term securities, which benefit from declining expectations for growth and inflation.

The yen has added 2.2% against the dollar since Jan. 26, making it one of the markets' best performing currencies in 2018. For years, investors have borrowed yen -- because Japanese rates are comparatively low -- to fund trades in riskier currencies that offer higher yields in a strategy known as a carry trade.

Now, many are selling their riskier assets and buying back yen, giving that currency a boost, said Bac Van Luu, head of currency and fixed-income strategy at Russell Investments.

The Bank of Japan's effort to boost its economy by keeping the yen cheap has made the currency a better value than the Swiss franc, another haven, Mr. Van Luu said.



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The New York Times

Business Day; DealBook

Dow and S.&P. Lower After Gary Cohn's White House Exit

By Prashant S. Rao
274 words
7 March 2018
10:01 AM
NYTimes.com Feed
NYTFEED
English

Stocks on Wall Street were lower on Wednesday, a day after President Trump's top economic adviser, Gary D. Cohn, said he would resign amid an internal White House dispute over the decision to impose stiff tariffs on imported steel and aluminum.

• By late afternoon, the **Standard & Poor's 500-stockindex** was down slightly, while the **Dow Jonesindustrial average** was down by about half a percent.

• Asian markets closed lower, while European markets were gaining. Treasury prices rose.

Investors have been concerned that Cohn's departure could raise the chances of a global trade war

The global declines came as the plans to impose tariffs drew condemnation and threats of retaliation from major American trading partners, including Canada, China and the European Union. The announcement by Mr. Cohn that he would leave the administration amplified those fears. Mr. Cohn had argued against imposing tariffs.

Stock markets had made gains in recent days, but Deutsche Bank analysts said in a note to clients that those moves were largely to do with a belief that the president's advisers, like Mr. Cohn, and fellow Republican Party leaders would rein in the proposals.

"That optimism is fading this morning," the analysts said. They added that Mr. Cohn's resignation suggests "that Trump is leaning heavily towards some form of protectionist measures. Needless to say that Cohn's resignation also leaves further question marks around Trump's economic agenda."

Follow Prashant S. Rao on Twitter: @prashantrao.

* Gary Cohn Says He Will Resign as Trump's Top Economic Adviser

Document NYTFEED020180307ee37003mn

THE WALL STREET JOURNAL.
U.S. EDITION

Stock Signals Sought in Bitcoin --- Some investors think cryptocurrency swings can portend similar movement in shares

By Ben Eisen
770 words
12 March 2018
The Wall Street Journal
J
B9
English

Investors are latching onto bitcoin as a new indicator for determining whether the **stock market** is headed for another downturn.

A number of traders said they started paying closer attention to the highly **volatile** digital currency after it suffered a sharp fall about a month before the global **stock-market** decline. The price of a bitcoin roughly halved from its late-December high of near $20,000, reversing a powerful speculative rally. That was followed by the first 10% decline in the **S&P 500** in two years, beginning in late January.

Some investors say the moves suggest bitcoin may be a barometer of investor sentiment that ultimately feeds into the **stock market** and other risky investments. If stocks are headed for another pullback, the thinking goes, bitcoin may fall first -- and harder.

"We've begun to watch bitcoin more closely as a sign of speculative enthusiasm," said Doug Ramsey , chief investment officer of the Minneapolis money manager Leuthold Group. The top in bitcoin in December and in stocks in January marked a peak in investor optimism, Mr. Ramsey said.

Tom Forester, chief investment officer at Forester Capital Management, said he pays particular attention to the big moves in the cryptocurrency when looking for signals. "We do view bitcoin as a sentiment indicator," he said.

In recent days, stocks and bitcoin have both been **volatile**, but for different reasons. Equities fell as the U.S. discussed and signed tariffs on steel and aluminum, then rebounded after a strong jobs report on Friday. Bitcoin prices dropped below $10,000 recently as regulators globally scrutinized cryptocurrencies.

Still, the relationship has been most closely aligned when investor sentiment is driving **financial markets**. Last month as the **stock market** sold off, the correlation between the cryptocurrency and the **S&P 500** jumped to its highest level in records going back to the beginning of 2016, according DataTrek Research, which looked at that link on a 90-day basis. Shorter-term correlations spiked as well, the firm found.

Few rallies have approached bitcoin's, where prices ran up from less than $1,000 at the beginning of 2017 to about 20 times that level in under 12 months. That drew in mainstream investor interest.

The **S&P 500**'s forward price/earnings ratio, a traditional valuation measure, topped out on the same December day that the bitcoin price peaked, according to Morgan Stanley . That was shortly before Congress passed a sweeping tax code overhaul, and the two gauges acted as a sign of "peak excitement" in the market, the bank's analysts concluded.

Many analysts say there are limits to the link between bitcoin and stocks. Nicholas Colas, co-founder of DataTrek, found that the high correlations began to drop after the market selloff ebbed in the middle of last month. Mr. Colas concluded that while there are signs the correlations between the two assets have been rising in recent months, the link is strongest when the assets are falling.

Others outright reject bitcoin's value as a **stock market** indicator. "I think that's absurd," said Jason Ware, chief investment officer at Albion Financial Group . "Ultimately, stock returns are grounded in the economy, corporate earnings, interest rates and inflation," which he said that bitcoin investors don't seem to care much about.

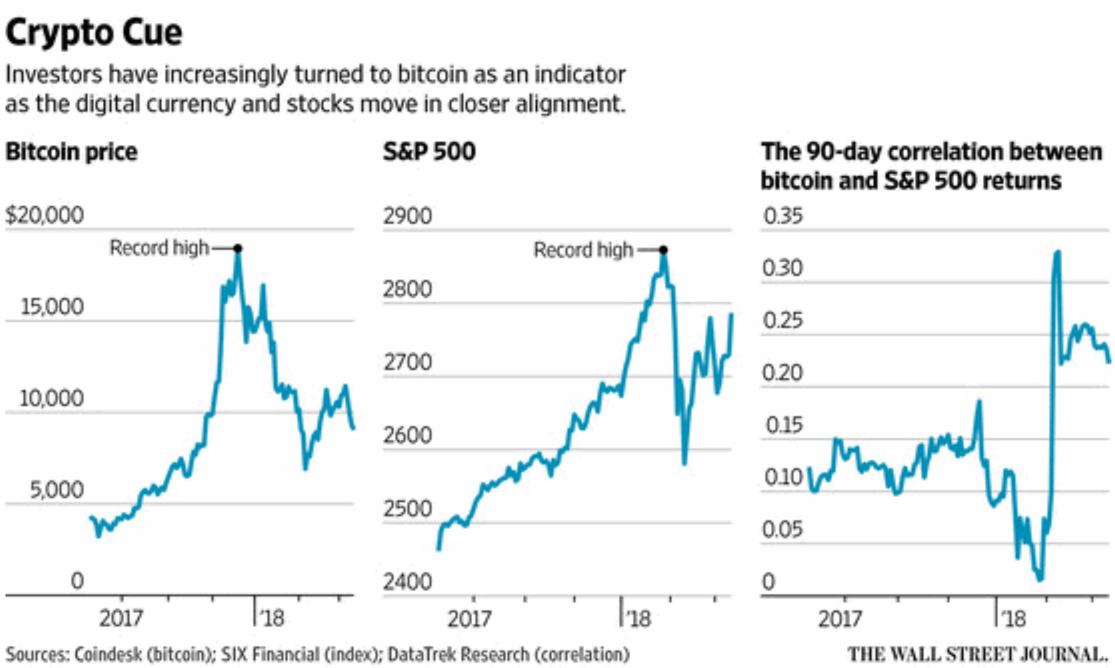
Crypto's New Role

Has Dot-Com Echo

For some investors, bitcoin is fulfilling a role that other highly volatile investments have played during previous market run-ups when frothy levels had become a concern: The highest-returning asset is often among the first to fall when investor appetite for risk starts to change.

During the 1990s dot-com boom, for example, some of the most speculative companies with little or no profit history, from e-commerce retailer Pets.com Inc. to online grocery business Webvan Group Inc ., shot to prominence the fastest. They were also among the hardest to fall, signaling a broader market retreat when the S&P 500 dropped 49% from its peak in 2000 to its trough in the fall of 2002.

With the U.S. stock market bull run reaching its nine-year anniversary on Friday, investors are worried that the Federal Reserve is starting to pull back its extraordinary easing measure when valuations are becoming stretched and the long U.S. economic expansion appears to be in its later stages. The proposed steel and aluminum tariffs have ignited concerns of a trade war. All this has traders looking for fresh signs that investor sentiment is turning again.



Document J000000020180312ee3c0000p

The New York Times

Wealth Matters
Your Money
How to Invest With a Conscience (and Still Make Money)

By Paul Sullivan
1,523 words
16 March 2018
01:26 PM
NYTimes.com Feed
NYTFEED
English

Jean Case, the chief executive of the Case Foundation, is a leader in impact investing, a movement that aims to force social change by minimizing or eliminating investors' exposure to companies that harm the world and achieve a solid return.

Yet Ms. Case, an early signer of the Giving Pledge, a commitment by high-net-worth individuals to give at least half of their net worth to charity, said she struggled to fill just one of her portfolios with diversified impact investments.

"I haven't found across-the-board, great impact opportunities," said Ms. Case, who created the foundation with her husband, Steve Case, the co-founder of AOL.

If Ms. Case, with her resources and deep network in the impact-investing world, labored to fully align one of her portfolios, what chance does an ordinary affluent investor have?

Although great progress has been made with mutual funds, exchange-traded funds and private investment opportunities, the short answer is, it can be hard for any investor, particularly for those who hew to an exacting standard.

But that challenge has seemingly increased interest in impact investing, which can be difficult to achieve if a solid return is the goal. It is also hard to measure, given the differing definitions of impact investing.

Gone are the simple days when investing with a conscience meant excluding alcohol, tobacco and firearms from a portfolio. Today's impact investors want their investments to align with a more rigorous standard of good while achieving a maximum return.

Here are some tips that even the most committed impact investor should consider.

Do Your Homework

Ms. Case said she started trying to move one portfolio to full impact investments about two and a half years ago.

"I created a portfolio and let the wealth advisers run it while I was out talking about impact investing," Ms. Case said. After one of her quarterly meetings, she said, she realized she was invested in companies that did not match her criteria.

So she created a screening process to find only the impact investments she wanted, like companies with diverse boards solving 21st-century problems like alternative energy.

"It's taken longer, and it's been harder to do," she said.

This does not come as a complete surprise to Douglas M. Cohen, managing director at Athena Capital Advisors. Mr. Cohen said that not all the options for impact investing had good track records.

Kristin Hull, the founder, chief executive and chief investment officer of Nia Impact Capital, took a different approach to this challenge. In 2007, when her family set up a foundation after the sale of her father's trading firm to Goldman Sachs, she decided to invest only in companies that were looking to have an impact on the world and had women in positions of leadership.

She has continued this approach as she expanded her firm into advising other investors. She said one fund, which is small at $20 million, was up more than 37 percent last year — or 17 percentage points higher than the **Standard & Poor**'**s 500**-**stockindex** in the same period.

“We’re just focusing on those companies that are playing their part in an inclusive and sustainable economy,” she said.

Define Your Priorities

One of the challenges of measuring “impact investment” the way someone would measure automobile investments or oil and gas investments is the variety of ways to interpret the term.

“Everyone has a different definition of impact investments,” Mr. Cohen said. “Some people say no fossil fuels, and that’s their negative screen. Others say, ‘I understand these companies are going to exist, but I want to find the one that is doing it the best.’”

Ms. Case said she needed three things to assess an impact investment: intention to have impact, measurement of results and transparency.

Erika Karp, founder and chief executive of Cornerstone Capital Group and a friend of Ms. Case’s, said the two defined impact investing differently.

“All investments have impact,” Ms. Karp said. “Jean has spent years as more of a purist than I am. She wants measurement that is more precise. I believe it’s more diffuse.”

A screening process that is too narrow can also increase the risk because clients may wind up investing in new companies or first-time funds without track records, Mr. Cohen said.

For instance, one of his clients wanted to invest only in hedge funds and private equity funds that were led by a woman, he said. What the firm came up with were funds that it would not approve for all clients because of their risk. But he suggested a slight change to the client: Loosen the criteria to focus on companies with one to two women on the senior investment team.

“That was the essence of what we were trying to get to,” Mr. Cohen said.

Fill the Gaps

Amit Bouri, chief executive of the Global Impact Investing Network, said the three most robust areas for impact investing were private debt, private equity and real assets, like land or rental properties. And those areas work for the most affluent investors who can afford to have their money tied up in less-liquid investments.

But, Mr. Bouri said, “there are gaps in the market” when it comes to big, publicly traded companies. “If you’re trying to have large-cap public equity exposure, it’s hard to invest in Fortune 500 companies and identify them as impact.”

Instead, he said, with big companies, investors may need to apply a “better than the rest” approach. With this metric, for instance, the oil and gas giant Exxon Mobil fares well relative to its peers because it has a diverse board.

Andrew Lee, head of impact investing and private markets at UBS Wealth Management, said measuring impact returns could be complicated when judging new companies against existing companies that are trying to make changes.

“While there are sets of metrics by sector that are accepted, it is difficult to aggregate across the portfolio,” he said. “You have to keep it by sector.”

Grade on a Curve

The individual trade-offs in impact investing make it difficult to create a general index like the **S**.**&P**. **500** to track, although several providers have tried.

R. Paul Herman, chief executive of Human Impact & Profit Investor, or HIP Investor, has developed a measurement framework for impact investments that is not unlike that of a college chemistry course. The HIP Investor Ratings provide what amounts to an actual grade and also a grade on a curve.

Mr. Herman said a good raw score for a fund was in the range of 55 to 60 in terms of its impact on society. And the relative score allows an investor to see how that fund performs against similar funds.

Companies use the measurement to gauge their investments. STOK, an architecture and engineering firm, wanted its 401(k) offerings to align with its progressive values as a company, so it asked Mr. Herman to rate its fund with HIP Investor Ratings.

Ms. Karp said investors who focused on smaller-scale investments could be purer in their measurements, but her goal was to invest trillions of dollars to affect big change.

“One of the things Cornerstone believes is, to really have impact on the world, we need to move trillions of dollars,” she said. “To do that, you need to evolve the standard of what is the discipline of impact investing.”

One solution, Ms. Karp said, would be to consider impact measurements in all investments as part of sound investing.

Set Your Expectations

Setting expectations is crucial in the selection and measurement of impact investments because the manager will otherwise fail to deliver what the client wants.

“I think it’s important to lay things out up front,” Ms. Karp said. “There should be no excuses.”

The HIP ratings include the fund’s returns as another factor in actual and adjusted grades for companies. Most of the fund returns in the STOK 401(k) plan, for example, are from the middle to upper end of the HIP range.

And Mr. Bouri said his network had developed themes that people could invest in, like clean energy and affordable housing.

Still, to increase the power of impact investments, all investors are going to need to consider investments in that light.

“It cannot be a do-gooder thing,” Ms. Case said. “We don’t want to have diversity because it’s a box we check. We want to have diversity because we’ll be a stronger economy in America and around the world.”

Jean Case, the chief executive of the Case Foundation, is a leader in impact investing, but she says she has had trouble filling just one of her portfolios with diversified impact investments. | Lexey Swall for The New York Times | Impact investing can be hard for any investor, particularly for those with strict standards. “I haven’t found across-the-board, great impact opportunities,” Ms. Case said. | Kevin Wolf/Associated Press Images for a Billion + Change

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THE WALL STREET JOURNAL.

Markets

Investors, Worried About End of Goldilocks Market, Pare Back Riskier Bets; Investors reassess their risk tolerance amid bouts of market volatility and signs of rising inflation

By Riva Gold and Georgi Kantchev
997 words
12 March 2018
05:30 AM
The Wall Street Journal Online
WSJO
English

Nine years into a roaring stock **bull market**, fund managers are paying their last respects to Goldilocks.

Investors broadly remain **bullish** on stocks and other investments, aided by an upbeat U.S. jobs report on Friday . But repeated bouts of market **volatility** in 2018 and signs of a pickup in inflation have forced them for the first time in several years to reassess their tolerance for risk. For many, that means boosting cash positions, slashing equity or diversifying portfolios.

Take Zurich-based GAM Holding, which has $163 billion under management. During the height of February's stock swoon, senior investors at a regular strategy powwow concluded a new regime for markets was taking shape, after nearly two years of steadily rising asset prices and low **volatility** spawned a not-too-hot, not-too-cool trading environment likened to the 19th-century fairy tale.

While modest but improving economic growth and very gradual rises in interest rates may indeed continue to characterize the **financial markets** in 2018, signs of higher inflation, rising U.S. interest rates and threats of a global trade war have shaken investor confidence.

"Something fundamental was creeping into markets and market psychology," said Larry Hatheway, GAM's chief economist who sat on the committee meeting last month. "Until now, the expansion was seen as one that could go on and on without any signs of price inflation, and that's being questioned now."

At GAM, the team is moving money into long-short strategies, which bet both on rising as well as falling assets, and areas like emerging-market debt to reduce correlations within their portfolios.

Although the U.S. jobs report showed the pace of wage growth easing last month, in this environment, "good" economic news can be taken as "bad news" for stocks if the economy shows signs of overheating. That can lead to higher interest rates, pressuring both stocks and bonds.

Bank of America Merrill Lynch's most recent fund-manager survey showed a record monthly climb in the percentage of fund managers taking out protection against a sharp fall in equity markets in the next three months.

Previous postfinancial-crisis corrections were largely triggered by signs of weakening economic growth or fears of deflation. But February's selloff was different in that it came on the heels of a rise in wages, sparking fears that inflation may accelerate.

Some investors say all this means rethinking long-held beliefs.

For nearly a decade, Swiss private bank Julius Baer Group, which manages $410 billion, had broadly followed the classic 60-40 equity-bond portfolio, focusing on growth-biased stocks. That ratio offers a higher allocation to stocks but still a healthy dose of bonds, which typically offer lower but more stable returns.

"Now, we're at an inflection point. Buy and hold won't work anymore," said Yves Bonzon, the group's chief investment officer.

Mr. Bonzon is also reducing allocations to stocks and holding more cash.

Eric Stein, co-director of global income at Boston-based Eaton Vance, said that his fund, which uses long-short strategies, has been getting more calls from investors showing interest in the past month.

"It was frustrating [last year] when everything was only going up. I thought, why would clients talk to us?" said Mr. Stein, whose firm manages $449 billion. "But now these strategies make more sense, when there are bigger disconnects in markets."

Those disconnects could come from a changing macroeconomic environment.

A strong labor market, rising commodity prices and fiscal stimulus from Washington are expected to boost inflation, prompting the Federal Reserve to tighten policy at a faster and less predictable pace than before. That has recently pushed the **10**-**year Treasury** yield to within reach of 3% for the first time in four years.

At the same time, large, positive surprises on global growth have started to fade, says Richard Turnill, global chief investment strategist at BlackRock, the world's largest money manager.

Not all the trends have been discouraging. Corporate earnings, particularly in the U.S., have been solid, and an elevated level of global growth could continue to lift stocks for some time.

But global manufacturing surveys have fallen for two consecutive months after reaching a seven-year high in December, and the Citi Economic Surprise Index for the eurozone, which measures data releases against forecasts, has fallen below zero for the first time since 2016.

The Trump administration's announcement on Thursday that it is imposing tariffs on steel and aluminum imports , while reiterating its desire to rewrite existing trade pacts, has stoked fears of a trade war that could damp global economic growth.

While BlackRock believes the economic cycle is still supportive of investing in stocks, the fund manager is now less keen on areas like European equities, which they believe do best when global growth is unexpectedly accelerating. Mr. Turnill favors U.S. stocks and short-term Treasurys.

Others are taking a different approach. For the first time in years, Jeffrey Kleintop, chief global investment strategist at Charles Schwab, which manages $2.9 trillion in client assets, said he has been urging his U.S. clients to diversify their portfolios internationally in order to reduce risk.

Shortly after February's correction, Mr. Kleintop said he went on a series of meetings from California to Kentucky prepared to reassure clients that the **bull market** wasn't over yet and that stocks could still do well, albeit in a more **volatile** climate.

To his surprise, "they were all very confident," ready to buy the dip, he said. "It does get you worried—it's a sign we're late in the cycle."

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Document WSJO000020180312ee3c000ji

The New York Times

Business Day
Stock Markets Jump in Response to Jobs Report

By Matt Phillips
226 words
9 March 2018
12:03 PM
NYTimes.com Feed
NYTFEED
English

It wasn't too hot. It wasn't too cold.

Investors welcomed Friday's unemployment and jobs data from the government, which showed a near-perfect combination of surprisingly strong job growth and little indication of rising wages that could prompt the Federal Reserve to raise interest rates faster.

"The February jobs report seems supportive of the goldilocks economic story of continued strong employment gains amidst moderate inflation pressures," wrote economists from BNP Paribas in a client note Friday.

The **Standard & Poor's 500-stockindex** rose about 1 percent after the news, driven by gains in energy, financial and industrial stocks.

The economy produced 313,000 new jobs in February. After the report, investors moved out of super-safe United States government bonds, pushing prices down and yields — which move in the opposite direction — slightly higher. The yield on the **10-year Treasury** note, an important benchmark, topped 2.90 percent.

Friday's market reaction was in sharp contrast to what happened after last month's employment report. Then, a faster-than-expected rise in wages worried investors that inflation was coming. Stock markets plunged, as investors feared that the Fed would hike interest rates to fend off inflation.

* U.S. Added 313,000 Jobs in February. Here's What That Means.

Document NYTFEED020180309ee39005pn

THE WALL STREET JOURNAL.
U.S. EDITION

Smaller Markets in Asia Are Emerging as Havens

By Ese Erheriene
273 words
1 March 2018
The Wall Street Journal
J
B11
English

Stock investors in Asia seeking a haven from the **volatility** that rocked markets around the world in February may have found it in an unexpected place.

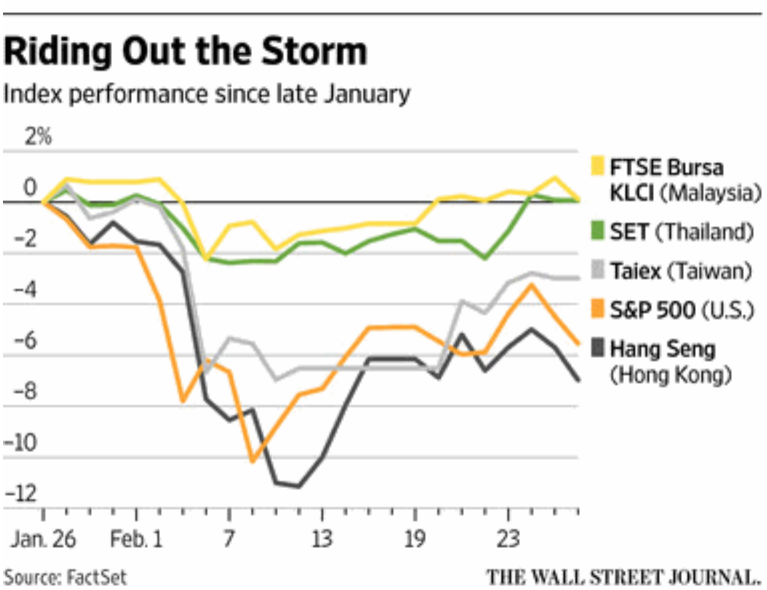
At the height of the global market selloff last month, stock indexes in Malaysia and Thailand, two of the smallest markets in Asia, were down just 3.4% and 3.6%, respectively, versus the 10% decline in the **S&P 500 index** between Feb. 1 and Feb. 9.

The Southeast Asian indexes ended February in the black, a contrast to the U.S. and larger markets like Hong Kong and South Korea, which fell 6.2% and 5.4%, respectively.

Historically, smaller emerging markets have tended to swing more widely relative to the U.S. and other major markets in times of stress. This often happened during the Asian economic crisis in the late 1990s, when Thailand, among others, had a severe current-account deficit.

Emerging markets have performed well this time around, largely as a result of flexibility borne from building up their foreign-currency reserves.

The lesser **volatility** in Thailand and Malaysia can be attributed to their large concentrations of domestically focused stocks, which helps shield them from global turmoil, some analysts say. The smaller markets have also avoided large swings on the upside. The **S&P 500** has rebounded 5.1% from its lowest point of the year in February, while Malaysia's FTSE Bursa KLCI index is up 3.1% and the Stock Exchange of Thailand index has risen 2.8% over the period.



Document J000000020180301ee310000k

THE WALL STREET JOURNAL.

U.S. Markets
Markets

U.S. Stocks Rise but Post Weekly Losses; Data including rise in factory production reassure investors that economy on sound footing

By Akane Otani and Mike Bird
543 words
16 March 2018
04:44 PM
The Wall Street Journal Online
WSJO
English

U.S. stocks bounced Friday but notched weekly losses, after a shaky stretch of trading renewed many investors' fears over the course of trade policy.

Stocks struggled for traction throughout the week as investors weighed fresh rebukes to the Trump administration's protectionist trade agenda. Investors dumped shares of materials and industrial companies, which some fear could suffer if U.S. tariffs drive up costs for manufacturers. Bank shares also slid earlier in the week, hurt by a strengthening of U.S. government bonds that drove yields lower.

With investors facing a relatively quiet period in between earnings seasons, many say it isn't surprising that trade jitters and reshuffling in the White House appear to be weighing on the market.

"We had hoped that the appointment of Mr. Kudlow as economic adviser would bring some stability back into the ranks of the White House, but that now proves wishful thinking," said Bas van Geffen, quantitative analyst at Rabobank, referring to the White House tapping commentator Lawrence Kudlow to be director of the National Economic Council.

Still, even as stocks have lost some momentum in recent sessions, analysts maintain that the earnings outlook for U.S. companies looks solid. Data have also pointed to a strong labor market, still-subdued inflation and a ramp-up in production at U.S. factories, reassuring investors that the economy remains on strong footing.

The **Dow Jones Industrial Average** rose 72.85 points, or 0.3%, to 24946.51, but fell 1.5% for the week. The **S&P 500** advanced 4.68 points, or 0.2%, to 2752.01 and posted a 1.2% weekly decline, while the **Nasdaq Composite** edged up 0.25 point, or less than 0.1%, to 7481.99 and fell 1% for the week.

Stock gains were broad Friday, helping some of the worst-performing sectors of the week recoup their losses from earlier in the week.

Shares of financial companies rose alongside bond yields, with Brighthouse Financial adding $2.22, or 4.2%, to $54.73 and Navient rising 30 cents, or 2.3%, to 13.51.

Government bonds strengthened for the week, but weakened Friday, with the yield on the benchmark 10-year U.S. Treasury note settling at 2.848%, up from 2.824% Thursday. Yields rise as **bond prices** fall.

The **S&P 500** industrial sector added 0.5%, chipping away at its weekly loss. Aerospace giant Boeing—the worst-performing stock in the Dow industrials this week—rose 49 cents, or 0.1%, to 330.47 after four consecutive daily declines.

Elsewhere, the Stoxx Europe 600 index rose 0.2%, booking a weekly gain, as energy shares followed **oil prices** higher.

U.S. crude for April delivery jumped 1.9% to $62.34 a barrel, boosted by data showing production falling among members of the Organization of the Petroleum Exporting Countries.

Japan's export-heavy Nikkei Stock Average fell 0.6%, weighed down by further appreciation of the yen.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets
U.S. Stocks Reverse Course, End Lower After Fed Rate Increase; Bond yields climb; energy stocks surge alongside oil prices

By Amrith Ramkumar and David Hodari
756 words
21 March 2018
05:00 PM
The Wall Street Journal Online
WSJO
English

U.S. stocks erased gains and closed lower Wednesday after the Federal Reserveraised interest rates and reiterated plans for two more increases this year.

Worries that a pickup in inflation could lead to a quicker-than-anticipated pace of rate increases contributed to last month's **stock-market** correction. Some investors had feared the Fed would raise rates four times in 2018, but the central bank reiterated Wednesday plans for three total this year. Still, more officials now think four increases might be necessary, and the Fed also marked up slightly the estimate of interest rates it expects to prevail over the long run.

Some investors worry that higher borrowing costs will slow corporate activity and push up Treasury yields, making stocks less attractive. Wednesday's Fed statement could comfort some analysts for now who wanted to see the central bank stay on a gradual path, though the longer-term concerns remain, said Michael Hans, chief investment officer of Clarfeld Financial Advisors.

"It was a fairly balanced statement without dramatic changes," Mr. Hans said. "It's a bit premature to get the pulse of the market to see if this is a considerable benefit for stocks."

The **Dow Jones Industrial Average** closed down 44.96 points, or 0.2%, at 24682.31, after earlier rising as much as 250 points immediately following the Fed decision. The **S&P 500** declined 5.01 points, or 0.2%, to 2711.93, while the **Nasdaq Composite** fell 19.02 points, or 0.3%, to 7345.29. All three indexes swung between gains and losses for the second straight session following sharp declines to start the week.

The yield on the benchmark 10-year U.S. Treasury note climbed to 2.901% from 2.881% Tuesday. Bond yields rise as prices fall. The WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, declined 0.8%.

Stocks rose earlier in the session after U.S. trade representative Robert Lighthizer told lawmakers that several key U.S. allies and trading partners won't face steel and aluminum tariffs until negotiations on possible exemptions wrap up next month.

Worries that protectionist trade policies could spread following the U.S. tariffs expected to take effect Friday and crimp global economic growth have made some money managers anxious in recent weeks. The White House is expected to announce a new raft of punitive measures aimed at China, including levies worth at least $30 billion.

Finance ministers from the Group of 20 countries failed to reach a fresh agreement on trade at a meeting this week in Buenos Aires, a sign that the U.S. and other countries remain split on the matter.

Despite anxiety over rates, trade and lawmakers reaching a deal to keep the government funded, stocks have largely stabilized following big declines last month.

"To me that speaks of underlying strength," said Brad McMillan, chief financial officer at Commonwealth Financial Network. "Even though there are a lot of concerns, the fact that the market continues to hold up suggests this isn't going to be what derails the rally."

Energy stocks surged alongside **oil prices** Wednesday after a weekly report showed U.S. inventories surprisingly decreased during the week ended March 16. The **S&P 500** energy sector climbed 2.6%, its best day since November 2016. A rise in metals prices boosted materials stocks, which added 1.1%.

Airline stocks were among the worst performers following a downbeat revenue forecast from Southwest Airlines, which slid $2.91, or 4.8%, to $57.78. American Airlines Group dropped 1.23, or 2.2%, to 54.09, and Delta Air Lines fell 55 cents, or 1%, to 55.95.

General Mills dropped 4.42, or 8.9%, to 45.51 after it said higher food and shipping costs hurt profitability in the latest quarter and will weigh on the food maker's earnings for the year.

Elsewhere, the Stoxx Europe 600 fell 0.2%, with the index's banking sector among the worst performers. Trading was quiet in Asia, partly because of a Japanese public holiday. Hong Kong's Hang Seng Index fell 0.4%, while China's Shanghai Composite Index was down 0.3%.

—Kenan Machado contributed to this article.

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THE WALL STREET JOURNAL.

Markets
U.S. Government Bonds Rise Amid Stock-Market Volatility; Yield on benchmark 10-year Treasury note settled at 2.777% compared with 2.790% Tuesday

By Akane Otani
403 words
28 March 2018
04:02 PM
The Wall Street Journal Online
WSJO
English

U.S. government**bond prices** rose again Wednesday as shaky trading in global stocks increased investors' appetite for the safety of government debt.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.777%, compared with 2.790% Tuesday.

Yields, which fall as **bond prices** rise, have largely slid over the past week, as sharp swings in stocks from the U.S. to Europe to Hong Kong have sent investors into the safety of assets that tend to fare well during periods of market **volatility**.

The yield on the 10-year note took a leg lower early Wednesday after the government said the U.S. trade deficit widened to $75.4 billion in February, slightly more than economists had expected and up from a revised $75.3 billion in January.

The 10-year yield then pared much of its decline for the day after the Treasury Department's auction of 7-year notes—the latest in a series of nearly $300 billion of issuance this week—was met with tepid demand.

The government auctioned off $29 billion of 7-year notes at a yield of 2.27%, 1.7 basis points above where the yield traded before the auction. And the bid-to-cover ratio, a gauge of overall demand, clocked in at 2.34, below the average of 2.54, according to BMO Capital Markets.

Concerns that a wave of new debt could weigh on the prices of outstanding bonds had kept many investors on edge heading into the week. Still, Treasurys managed to hold their ground, with the yield on the 10-year note notching its fourth decline in five trading sessions.

Continued swings in the **stock market** should keep pressure on bond yields heading into quarter-end, analysts say, even as many investors believe a pickup in inflation will ultimately stall the bond rally.

"While the bond market is not likely to regain its horns anytime soon, it does indicate how vulnerable the **equity market** is to bad news, and how quickly investors will seek the safety of U.S. Treasurys when that bad news hits the tape," said Kevin Giddis, head of fixed income capital markets at Raymond James.

Write to Akane Otani at akane.otani@wsj.com

Document WSJO000020180328ee3s002ut

THE WALL STREET JOURNAL.

Heard on the Street
Markets
Market Anniversary an Occasion for Caution, Too; The bull market in American stocks enters its 10th year and should be a reminder of how wrong market forecasters were when it began

By Spencer Jakab
350 words
9 March 2018
01:50 PM
The Wall Street Journal Online
WSJO
English

Anniversaries are a time for reflection as well as celebration. Remember that as the great **bull market** enters its 10th year.

Many of the commentaries on this occasion are remarks on that longevity—some variation of "bull markets don't die of old age" if they are of an optimistic bent. The vast majority of Wall Street professionals see stocks higher at the end of the year. But, with indexes clawing their way back to records set in January, it also should be a reminder of pundits' fallibility.

On March 9, 2009, nobody knew that it would be the start of one of the greatest bull markets of all time. The Wall Street Journal ran a story that day with the headline: "Dow 5000? There's a Case for It." While hedging their bets, three strategists cited saw the **S&P 500**, which had hit its **bear-market** bottom of 666.79 a day earlier, possibly falling as low as 500 before the market recovered.

What is worth remembering is that, just 15 months earlier, investment seers were as spectacularly wrong but in the opposite direction. Stocks had hit their **bull-market** peak almost three months earlier, but their forecasts to kick off 2008 saw the same index rising as high as 1700. The two strategists from Bear Stearns and Lehman Brothers, firms that wouldn't even exist by the end of that tumultuous year, had an average outlook of 1665. That was 87% higher than the actual year-end level for the index. Not a single brokerage firm was even forecasting a recession, though one already had begun.

None of this means that today's benign consensus is wrong. Markets usually rise and bull markets don't have an expiration date, so extrapolating the past is a smart career move—until it isn't.

Write to Spencer Jakab at spencer.jakab@wsj.com

Document WSJO000020180309ee39004xt

WSJ PRO CENTRAL BANKING

Economy
Fed Raises Rates and Signals Faster Pace in Coming Years; Vote to raise interest rates at the first meeting led by Jerome Powell was unanimous

By Nick Timiraos
1,204 words
21 March 2018
07:22 PM
WSJ Pro Central Banking
RSTPROCB
English

WASHINGTON—Federal Reserve officials signaled Wednesday they could pick up the pace of interest-rate increases to cool economic growth after next year.

The Fed voted unanimously to raise its benchmark federal-funds rate by a quarter-percentage point to a range between 1.5% and 1.75%. Officials said they expected to lift it another two or three times this year, and three times next year.

New forecasts show officials project faster economic growth, higher inflation and lower unemployment in coming years.

They indicated they expect they will need to tap on the monetary brakes, raising rates in 2020 to a level that would mark the first time in more than a decade that interest-rate policy was deliberately restrictive.

Fed Chairman Jerome Powell, in his first news conference as the central bank's chief, said officials want to balance two risks. One is that they raise rates too much, causing inflation to stay below their 2% target and damaging the Fed's credibility. The other is that they raise rates too slowly, letting the economy overheat and forcing them to move more quickly, triggering a recession.

"We're trying to take the middle ground, and the committee continues to believe that the middle ground consists of further gradual increases in the federal-funds rate," Mr. Powell said.

The rate increase approved Wednesday was widely expected. Before the Fed announcement, traders in futures markets already anticipated the Fed would raise rates a total of three times this year and placed a roughly 40% probability on at least four interest-rate increases this year, according to CME Group, an operator of future exchanges.

"The Fed delivered everything they've telegraphed: strong growth, a flat trajectory on inflation and a marginally steeper path of rates," said Ed Al-Hussainy, senior global rates strategist at Columbia Threadneedle Investments, an asset manager.

Stocks seesawed after the Fed's announcement and closed lower Wednesday. The **Dow Jones Industrial Average** closed down 44.96 points, or 0.2%, at 24682.31, after earlier rising as much as 250 points immediately following the Fed decision. The **S&P 500** declined 5.01 points, or 0.2%, to 2711.93, while the **Nasdaq Composite** fell 19.02 points, or 0.3%, to 7345.29.

Investors had been braced for a more aggressive position from the Fed in the near-term, Mr. Al-Hussainy said. The yield on the benchmark 10-year U.S. Treasury note climbed to 2.901% from 2.881% Tuesday. Bond yields rise as prices fall.

Before the meeting, investors' were eager to see how the Fed would react to the tax cuts and government-spending increase recently approved by Congress and President Donald Trump. Both are expected to boost economic growth.

Most Fed officials still expect to raise rates no more than three times this year. But more central bankers said they now anticipate increasing rates four times this year; seven of 15 penciled in four rate increases, up from four of 16 in December.

Most Fed officials expect to lift rates at least another three times in 2019, followed by another two times in 2020. At the December meeting, officials projected around two increases would be needed in both 2019 and 2020.

The projected moves would leave the fed-funds rate in a range between 3.25% and 3.5% by 2020. Such a level would be slightly restrictive of growth because it is nearly one half a percentage point above the level policy makers estimate would neither spur nor curb economic activity over the long run.

"Taken at face value, it's a signal there is a consensus that says, 'We might have to tighten too much,'" said Roberto Perli, an analyst at research firm Cornerstone Macro.

Fed officials now expect the unemployment rate to decline to 3.8% by the end of this year and to 3.6% by the end of 2019, from 4.1%, where it has held since October. That is almost a full point below the rate officials expect to prevail over the long run.

Wall Street economists expect the recent changes in tax policy and government spending will push unemployment even lower than the Fed has projected next year, to levels that haven't been seen since the Korean War. Economists said it is unclear what that could do to inflation or financial stability.

The Fed has a poor record of trying to cool the economy without triggering a recession.

"It's a risky thing to do, but they might feel they have to do it because this fiscal stimulus is coming at the wrong time," Mr. Perli said.

Mr. Powell said policy under the forecast laid out Wednesday would turn "modestly restrictive" by 2020. But he also played it down by pointing to the difficulty of forecasting that far into the future.

"You could imagine narratives in which that [forecast] would make sense, but honestly, I wouldn't put too much on that," he said.

Officials release economic projections every quarter. Their latest figures show they now expect inflation to rise above their 2% target next year and to stay there in 2020.

The fact that officials didn't revise their interest-rate path higher is significant, Mr. Perli said, because it shows officials will tolerate inflation that runs slightly above the target.

Inflation has firmed in recent months after a surprising downtick last year that defied the Fed's forecasts. Consumer prices rose 1.7% in January from a year earlier, according to the central bank's preferred inflation gauge. So-called core prices, which exclude **volatile** food and energy categories, rose 1.5%.

Mr. Powell has worked to stress policy continuity with his predecessor, Janet Yellen. He reinforced that theme during his first appearance before the news media.

Mr. Powell said he was considering concluding all eight of the Fed's annual meetings with news conferences, instead of the current practice of holding one at every other meeting.

The goal, he said, would be to improve the central bank's public communication. But he added he wouldn't want such a shift to be seen as implying a policy change. Under Ms. Yellen and her predecessor, the Fed only made major policy announcements at the meetings followed by news conferences.

Analysts praised Mr. Powell on his clipped, direct answers to questions. "He managed very well," said Michael Feroli, chief U.S. economist at JPMorgan Chase. "He was cautious. You didn't learn much, but he didn't make blunders and stayed out of minefields."

Mr. Perli said: "Investors have a notoriously short attention span, and he was crystal clear."

Write to Nick Timiraos at nick.timiraos@wsj.com

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THE WALL STREET JOURNAL.
U.S. EDITION

Tech Rout Makes Day Traders Nervous

By Ben Eisen
335 words
30 March 2018
The Wall Street Journal
J
B11
English

The selloff in technology stocks is making a group of usually **bullish** short-term investors nervous.

Day traders have been posting increasingly **bearish** messages on StockTwits, the popular messaging forum, data from the company show.

An aggregate of messages about seven big technology stocks, weighted by volume, shows just 54% were **bullish**, down from nearly 90% at the beginning of the year. Bearishness increased sharply over that span.

That is one sign of just how far-reaching the recent selloff in technology stocks has been.

The views generally reflect the broad investment landscape, where everyone from hedge funds to retirees is rethinking their exposure to these companies after years of rapid **stock-price** growth.

In 2017, the average level of bullishness on these seven stocks was 75%, and never dropped below 63%, according to Garrett Hoffman, a data scientist at StockTwits.

The **S&P 500** technology sector climbed 37% that year, and it is up another 1% in 2018.

But the **S&P 500** was down 6% in the month of March as of Wednesday. The index's technology sector dropped 0.9% on Wednesday, for its ninth day of declines in 12 sessions.

Hot stocks that aren't in the **S&P 500** technology sector, but often associated with the tech industry, fared the worst in Wednesday's session. Amazon.com shares dropped 4.4%, Netflix slid 5% and Tesla tumbled 7.7%.

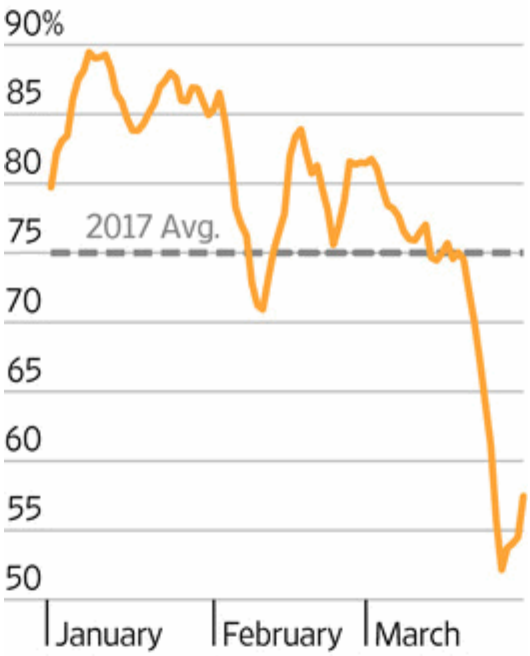
The sharp turnabout in recent sessions followed a growing controversy about Facebook's handling of user data, which sparked broader questions about whether the technology industry could face heavier regulation.

On Wednesday, Amazon fell amid speculation that the White House wants to clamp down on the e-commerce giant's growing dominance.

The StockTwits measure of bullishness dipped to the mid-70s as stocks sold off in February, rebounded a bit along with the broader **stock market**, and then plunged again in recent days.

Bulls in Retreat

Share of StockTwits messages about seven tech stocks that are bullish



Note: Volume-weighted aggregate of Facebook, Amazon, Apple, Netflix, Alphabet, Twitter, Microsoft.

Source: StockTwits

THE WALL STREET JOURNAL.

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The New York Times

U.S.; Politics
Trump Hits China With Stiff Trade Measures

By Mark Landler and Jim Tankersley
1,436 words
22 March 2018
12:12 PM
NYTimes.com Feed
NYTFEED
English

President Trump put China squarely in his cross hairs on Thursday, imposing tariffs on as much as $60 billion worth of Chinese goods to combat the rising threat from a nation that the White House has called “an economic enemy.”

The measures are Mr. Trump’s strongest trade action yet against a country that he says is responsible for thousands of lost American jobs and billions in lost revenues. **Financial markets** plunged on fears of a potential trade war between the world’s two largest economies, with the **Standard & Poor**’**s 500**-**stockindex** dropping by 2.5 percent.

The White House said it was taking action in retaliation for China’s use of pressure and intimidation to obtain American technology and trade secrets. The measures include a significant change in Mr. Trump’s looming steel and aluminum tariffs that would aim them primarily at China.

After Mr. Trump announced the moves, China’s Ministry of Commerce said that it was proposing tariffs of its own on 128 products from the United States, like nuts, wine and pork, that it valued at about $3 billion. China urged the Trump administration to resolve differences through dialogue to “avoid damage to the broader picture of Chinese-U.S. cooperation.”

The president’s actions fulfill his frequent campaign pledge to demand fairer trade deals with nations around the globe and to retaliate against trading partners if the United States does not secure better agreements.

“We have one particular problem,” the president said before signing an order that will impose tariffs on hundreds of Chinese products, from shoes and clothing to consumer electronics. “We have a tremendous intellectual property theft situation going on.”

The sanctions reflect a shift in relations between the two economic giants, which for years engaged in highly structured dialogues to try to reach agreement on economic and security issues. But the White House now views those dialogues — and the agreements they produced — as largely hollow promises by the Chinese.

Rather than trying to draw China into the rules-based international economic order — a policy that dates back to Richard M. Nixon and Henry A. Kissinger — the United States now regards China as a strategic competitor, bent on eroding American security and prosperity.

The White House — along with many in the business community — believes the United States needs to strike back against China’s exploitation of its intellectual property, even if many question whether tariffs are the best tactic.

“We repeatedly aired our concerns about China,” said Peter Navarro, director of the White House National Trade Council and a key architect of the measures. “What the United States is doing is strategically defending itself from China’s economic aggression.”

Mr. Trump said that he respected China’s president, Xi Jinping, and that China had been helpful in pressuring North Korea over its nuclear and missile programs. But the president declared that the United States would no longer tolerate running a trade deficit of nearly $400 billion with China, its second-largest trading partner, after the European Union.

On Thursday, the United States trade representative issued a lengthy report outlining a pattern of predatory behavior by the Chinese, including forcing American companies to transfer valuable technology and trade secrets, and “systematic” data theft by China through hacking of American computer systems.

In addition to the tariffs, the Treasury Department will restrict Chinese investment in American technology firms — a practice that officials said China uses to nurture its own “national champions” in cutting-edge industries like artificial intelligence and autonomous vehicles.

The administration’s increasing focus on punishing China was evident in its decision to exempt allies like the European Union, South Korea, Brazil, Canada and Mexico from what were supposed to be worldwide tariffs on steel and aluminum imports. The levies, which go into effect on Friday, will largely hit China.

Fears of a trans-Pacific trade war reverberated through the world’s markets, with the stock prices for major exporters like Boeing and Caterpillar plunging more than 5 percent.

The Chinese Embassy in the United States issued a blunt statement, saying that “China does not want a trade war with anyone. But China is not afraid of and will not recoil from a trade war. China is confident and capable of facing any challenge. If a trade war were initiated by the U.S., China would fight to the end to defend its own legitimate interests with all necessary measures.”

Under the proposed Chinese countermeasures, American-produced fresh fruit, nuts, wine, seamless steel pipes and other goods would be hit by 15 percent tariffs, while another group of goods, including pork, would attract 25 percent tariffs.

China would also “take legal action within the framework of the World Trade Organization,” the Chinese Commerce Ministry said.

Inside the White House, there was little of the rancorous debate that erupted before Mr. Trump announced the steel and aluminum tariffs earlier this month. The president has steadily winnowed free-trade advocates from the ranks of his cabinet, and these measures are unlikely to draw the wall of opposition from Republicans that the metal tariffs did.

Mr. Trump’s announcement brought some clarity to a process that the White House has largely conducted in secret, since the president announced an investigation of China’s trade practices last summer. But more will be revealed when the administration publishes the list of Chinese goods it will target for tariffs within the next 15 days.

“We learned something today, but there’s still tremendous uncertainty about what’s going to happen,” said Chad P. Bown, a senior fellow at the Peterson Institute for International Economics. “So in a sense, we didn’t learn much.”

Administration officials said they were tailoring the list to minimize price increases for consumers, who buy large quantities of goods from China, and were focusing in part on strategic industries China is attempting to build up with state support. But Mr. Bown noted that the president’s target for tariffs — $60 billion — represents more than 10 percent of America’s annual imports from China.

“Eventually they will feed into higher consumer prices,” he said.

The United States trade representative, Robert Lighthizer, told the Senate Finance Committee that tariffs should be levied on Chinese products from all the advanced industries it has vowed to build up as part of its “Made in China 2025” plan. Those include electric vehicles, high-tech shipping and aerospace technology. He called them “the ones I care about.”

But Mr. Lighthizer and his colleague, Commerce Secretary Wilbur Ross, faced a barrage of questions and criticism from lawmakers, several of whom worried about Chinese retaliation.

“A state like Iowa stands to lose,” particularly if China targets soybean exports, said Senator Charles E. Grassley, Republican of Iowa. Senator Pat Roberts, Republican of Kansas, said, “We’re in a dire fix.”

Mr. Lighthizer acknowledged those concerns. “Every time we take a trade action, agriculture is in the cross hairs,” he said. “It’s something we’re very sympathetic to.”

Mr. Trump’s announcement was welcomed by a leading Democratic trade hawk in the Senate, Sherrod Brown of Ohio, who said the tariffs were a first step toward a comprehensive response to China that should also include increased screening of foreign investment in the United States to ensure it does not hurt American jobs.

“I applaud the president’s aggressiveness in targeting tariffs on a country that is clearly cheating,” Mr. Brown said.

Mr. Trump’s move comes at a time when he has enlisted Mr. Xi to help pressure North Korea over its nuclear and ballistic missile programs. Last year, Mr. Trump said he had decided not to designate China as a currency manipulator, in part because China was cooperating in the pressure campaign. His explicit linkage of trade and security raises questions about whether the tensions from these tariffs will spill over into the North Korea issue.

“The end objective of this is to get China to modify its unfair trade practices,” Everett Eissenstat, the deputy director of the National Economic Council, said in a telephone call with reporters.

Chris Buckley contributed reporting from Beijing.

* U.S. Exempts Some Allies From Tariffs, but May Opt for Quotas

* Boeing May Become a Target in a Trade War Over Trump’s Tariffs

* World Economic Leaders Warn of Trade War as Mnuchin Defends Policies

* Trump Plans Stiff Trade Tariffs and Other Penalties on China

President Trump announced the tariffs in the Diplomatic Room of the White House on Thursday. | Doug Mills/The New York Times

Document NYTFEED020180322ee3m004s9

THE WALL STREET JOURNAL.

Markets
Subdued Inflation Data Ease Market-Volatility Worries; U.S. economy shows few signs of overheating despite tight labor markets

By Daniel Kruger and Akane Otani
814 words
13 March 2018
06:37 PM
The Wall Street Journal Online
WSJO
English

U.S. government-**bond prices** bounced Tuesday after closely watched data on consumer prices signaled inflation remains muted, easing concerns among investors that rising prices could spark a fresh wave of **volatility** in **financial markets**.

The yield on the benchmark Treasury 10-year note, which serves as a reference rate for corporate debt, mortgages and consumer loans, shot up by roughly half a percentage point in about five weeks earlier this year as investors piled into bets that prices were primed to rise. Many anticipated that a $1.5 trillion tax-cut package and a budget agreement expected increase spending by roughly $300 billion would help lift prices and could cause the Federal Reserve to accelerate the pace of interest rate increases.

Tuesday's data were the most-recent sign that those expectations, which helped spur swings in **financial markets** earlier this year, may have been premature.

The Labor Department said the consumer-price index, which measures what Americans pay for everything from washing machines to hotel stays, rose 2.2% in the 12 months to February, below the 2.3% estimated by economists surveyed by The Wall Street Journal. Core prices, which exclude energy and food, rose 1.8% for a third straight month, also below economists' expectations, suggesting that inflationary pressures are still soft.

Bonds strengthened following the report, with the yield on the benchmark 10-year U.S. Treasury note dropping to 2.848% from 2.870% Monday and notching its lowest close since March 1. Yields fall as **bond prices** rise. Soft inflation is good for the value of bonds because it helps preserve the purchasing power of their fixed payments.

"We've been expecting inflation pressures for some time," said Tom Stringfellow, chief investment officer at Frost Investment Advisors. "They've not lived up to expectations."

The price data came after last week's jobs report showed tepid wage gains, suggesting that while the economy is continuing to grow, tight labor markets aren't generating signs of overheating.

Throughout the year, investors and analysts have been asking whether signs of a pickup in inflation could push the Fed to raise short-term interest rates four times this year, rather than the three it has penciled in. Minutes of the central bank's January meeting, which suggested policy makers were becoming increasingly hawkish, helped send the yield on the 10-year note to a multiyear closing high of 2.943% toward the end of February.

But by Tuesday afternoon, federal-funds futures, used by traders to place bets on the course of interest rates, showed a 32% chance of the Fed raising short-term interest rates four times by year-end, according to CME Group, down from 35% Monday but up from 17% one month ago.

And the 10-year break-even rate, a gauge that measures the bond market's expectations for inflation over the next decade, edged lower: The difference in yields between Treasurys and the equivalent maturity of Treasury inflation-protected securities fell to 2.1081% on Tuesday from 2.1177% Monday, according to Thomson Reuters.

In another sign of investor doubts about inflation picking up, bondlike stocks—which have been among the worst-performing sectors in the **S&P 500** in 2018—rose Tuesday, bucking a broader market decline.

Shares of utilities, regarded as bond proxies because of their relatively hefty dividend payouts, edged up 0.2% Tuesday, while the **S&P 500** fell 0.6%. Meanwhile, shares of financial companies, whose net-interest margins rise with interest rates, slid with bond yields, with the **S&P 500** financial sector ending the day down 1.1%.

Despite the day's data, some investors warn that numerous factors could still fuel inflation, including a weaker dollar, which affects prices for commodities including oil, and rising tensions over trade.

"What we're most worried about right now is a trade war," said Maura Murphy, who manages inflation-protected bond portfolios for Loomis Sayles. Ms. Murphy said she is betting that inflation-protected Treasurys will outperform conventional government debt.

Investors and analysts say they are cognizant that inflation tends to accelerate early in the year, carrying yields higher with it, and that they need to remain on guard.

"That spike in inflation expectations is enough to do some damage to your portfolio," Mr. Stringfellow said. "I don't think you can be too aggressive" and take risks betting on longer-term bonds to hold their value in this environment.

Write to Daniel Kruger at Daniel.Kruger@wsj.com and Akane Otani at akane.otani@wsj.com

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THE WALL STREET JOURNAL.

U.S. Markets
Markets
U.S. Stocks Rise as Trump Suggests Flexibility in Tariffs; Volatility expected to remain elevated as trade plan's details trickle out

By Akane Otani and Georgi Kantchev
568 words
8 March 2018
04:48 PM
The Wall Street Journal Online
WSJO
English

U.S. stocks rose Thursday, reversing declines from earlier in the session, after the White House said widely debated tariffs on metals imports would spare some key U.S. allies.

Major indexes wobbled around the flatline for much of the day, then climbed in the final hour of trading, as the administration said it would take a narrower approach than initially suggested in imposing tariffs on steel and aluminum imports.

Stocks had come under pressure last week as investors worried that the tariffs—which the White House had said would be "strict" and not exclude any countries—could lead to retaliatory trade measures.

Yet on Thursday, President Donald Trump suggested the administration would take a more flexible approach to the rollout—including exemptions for Canada and Mexico, and opening the way for other countries to negotiate tariff reductions.

That concession, along with others the administration had hinted at earlier in the week , helped stocks regain some ground, with the **Dow Jones Industrial Average** adding 93.85 points, or 0.4%, to 24895.21 on Thursday. The blue-chip index is on track to post a weekly gain.

The **S&P 500** rose 12.17 points, or 0.4%, to 2738.97, while the **Nasdaq Composite** advanced 31.30 points, or 0.4%, to 7427.95 for its fifth consecutive gain.

Still, investors say **volatility**, which spiked in February on concerns about rising inflation, will remain elevated as details about the trade plan continue to trickle out.

"We're generally in a more **volatile** environment, and the market will be sensitive to any headlines," said Randy Warren, chief investment officer of Philadelphia-based Warren Financial.

A flurry of corporate news drove swings in individual stocks.

Cigna shares fell $22.25, or 11%, to $172.00 after the health insurer said it planned to buy Express Scripts , a St. Louis-based pharmacy-benefits manager, for $54 billion. Express Scripts shares jumped 6.30, or 8.6%, to 79.72.

Meanwhile, shares of Kroger—one of the largest supermarket chains in the U.S.—tumbled 3.25, or 12%, to 22.98 after the company said its profits would suffer as it expands its e-commerce platform in an attempt to take on the likes of Walmart and Amazon.com.

Elsewhere, the European Central Bank left interest rates unchanged Thursday but dropped a pledge to accelerate its bond purchases if the economy deteriorates.

"They're essentially signaling confidence in the economy and saying it's time to take the training wheels off," said Karyn Cavanaugh, senior market strategist at Voya Investment Management.

Yet even as central banks around the world signal they are moving toward normalizing policy, stocks should continue to be able to eke out further gains, especially with corporate earnings looking robust, Ms. Cavanaugh said.

The Stoxx Europe 600 rose 1% and notched its fourth straight daily advance, supported by a rally in technology shares.

Earlier, stocks in Asia broadly closed higher.

Japan's Nikkei Stock Average rose 0.5%, while South Korea's Kospi Composite extended gains from earlier in the week and added 1.3%.

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THE WALL STREET JOURNAL.

Markets

Can Investors Plan for a Trade War? 'It's What Keeps Me Up at Night'; From tariff threats to a diplomatic breakthrough with North Korea, stocks face more uncertainty and volatility

By Steven Russolillo
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11 March 2018
10:43 PM
The Wall Street Journal Online
WSJO
English

To a market already wrestling hesitantly with rising inflation, rising bond yields and the end of an era of global central-bank stimulus, add another contestant: A flurry of uncertain geopolitics.

President Donald Trump on Thursday l aunched global tariffs on steel and aluminum and signaled that more aggressive action could come in the future. Hours later, he accepted an invitation to meet with North Korean leader Kim Jong Un, a potential turning point after more than six decades of confrontation.

The geopolitical rumblings tug at an already **volatile** market. Last month, investors fixated on signs of a return of inflation and how central banks might react. Bond yields shot up and stocks dropped , interrupting a steady climb boosted by rising corporate profits and the appearance that the world's major economies were at last growing together.

The tariffs and the Korean overtures add other questions to the mix. Will the U.S. tariffs evolve into a global trade war or pass with little enduring impact on world trade flows? Is there hope for calm in a dangerous global conflict, or is the proposed Korean meeting a false dawn? Shares of giant steelmakers like Korea's Posco and China's Baoshan Iron & Steel Co. Ltd. tumbled in Asian trading on Friday, but broader markets rose solidly across the region, a rally that spread to the U.S. with the **S&P 500** jumping 1.7%.

"As we move toward a more normal interest-rate environment, these other factors" are taking on increased importance, said Alexander Wolf, senior emerging-markets economist at Aberdeen Standard Investments in Hong Kong.

One way to gauge the changing environment lies in the increased market **volatility** after equities surged in historically calm fashion last year. The **S&P 500** has moved at least 1% up or down in 17 trading days this year; that happened only eight times in all of 2017.

It also represents the highest total of such moves through March 9 since 2016, when there were 25 such days as China's market turmoil reverberated around the world. Excluding 2016, the **S&P 500** is experiencing its most **volatile** start to a year since 2009.

Uncertainty about how to factor in a possibly sustained global trade conflict has added to investors' worries this year. The main concern is that a tit-for-tat rise in import tariffs could crimp what has been a synchronized global economic recovery, a key pillar of support for equity markets so far.

Yet Mr. Trump's eventual tariff announcement was softer than initially expected; a large number of countries could be spared from the measures. That hasn't stopped some investors from fretting.

"If we had a trade war, the scariest thing for me is not what's the likelihood of it but what would I even do?" said Michael Kelly, global head of multiasset at PineBridge Investments, which has $85 billion in assets under management. "I don't have a good answer for you on that. It's what keeps me up at night."

Mr. Kelly added that he doesn't think a global trade war is likely. He said he used the **volatility** in **financial markets** last month to lighten exposure to U.S. financials and add to European banks, which he said could prove less vulnerable to trade conflicts than other large, multinational firms.

Several investors believe the U.S.'s move on tariffs shouldn't cause widespread market panic: While stocks connected to the affected industries could suffer, broader positive trends in the global economy should remain on track. Some argue the international response to the U.S. move could be muted.

Ray Dalio, founder of hedge fund Bridgewater Associates, pegged the odds of an actual trade war as quite low.

"I believe that what is happening now is more for political show than for real threatening," he wrote in a LinkedIn post earlier this month. He said he expects a minimal impact from the tariffs and that the Chinese response would likely be "small and symbolic."

Nonetheless, Colin Harte, a multiasset portfolio manager at BNP Paribas Investment Partners in London, said he has started to cut exposure to large, internationally oriented companies in favor of small and midcap stocks, which tend to be more domestically focused and could be better insulated from trade tensions.

While the proposed U.S. tariffs on steel and aluminum aren't necessarily a problem for all trade-reliant emerging markets, the broader issue is whether more trade actions follow.

Any action from the U.S. regarding China and intellectual property could lead to a bigger escalation of tensions, said André Roux, co-head of emerging-market fixed income at Investec Asset Management.

"I absolutely worry about it," he said, referring to tariffs. "The worry is what do they signal?"

Mr. Roux said he has cut some of his exposure to emerging-market currencies this year, including the Chinese yuan and Thai baht, partly in response to his concerns about trade. Asia would be more vulnerable than other regions to a trade war, he said.

For now, at least, many still say a trade war is unlikely.

"A trade war is now a higher risk, but it does not seem inevitable," Paul Christopher, head of global market strategy at Wells Fargo Investment Institute, said in a client note. He predicts a small impact on corporate earnings, noting the benefit of the 2017 tax overhaul in the U.S. should exceed the lost competitiveness from the tariffs.

Saumya Vaishampayan contributed to this article.

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THE WALL STREET JOURNAL.
U.S. EDITION

Small Caps Weather Broad Rout

By Akane Otani
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26 March 2018
The Wall Street Journal
J
B1
English

Shares of small U.S. companies have held mostly steady this month despite a broader market rout, as their domestic focus is sheltering them from prevailing trade-friction worries.

The Russell 2000 has slipped 0.2% since the end of February, compared with the **S&P 500**'s 4.6% loss and the **Dow Jones Industrial Average**'s 6% decline. The Dow industrials fell more than 1,400 points last week, a 5.7% decline that marked the blue-chip index's biggest weekly percentage loss since January 2016 and highlights the retreat from risk that many investors have undertaken this year.

Investors fear that the Trump administration's tariffs on steel and aluminum imports could crimp profits for large manufacturers whose products rely heavily on those materials. And they worry that potential retaliatory trade measures -- the likes of which have been discussed by Chinese officials, the European Commission and German Chancellor Angela Merkel -- could more broadly damp profits among multinationals.

Many investors remain **bullish** on U.S. stocks, reasoning that the 2017 tax cut will lift profits and keep markets buoyant. Yet firms large and small are facing a turbulent spring in which few investments are consistently favored on Wall Street and many are facing fresh scrutiny following a long, broad rally that lifted indexes to new records and expanded valuations.

"What's happening is a confluence of events -- the pros of the tax cuts, plus the cons of the trade tariffs," said Mark Travis, president of Jacksonville Beach, Fla.-based Intrepid Capital Management.

Small-caps are holding up better during the current market malaise in part because of their domestic focus, which enables them to benefit from tax reductions and largely shelters them from trade-fallout concerns.

According to Alec Young, managing director of global markets research at FTSE Russell, firms in the Russell 2000 get 19% of revenue from overseas, compared with 39% in the large-cap Russell 1000.

To some, the market's moves are reminiscent of what happened after President Donald Trump's election in November 2016. Shares of small, domestically focused firms -- which tend to pay higher effective tax rates than their larger, multinational counterparts -- shot higher, boosted by the prospects of tax cuts and protectionist trade policies from the Trump administration. The Russell 2000 rose 14% between Election Day and the end of 2016, trouncing the broader **S&P 500**'s 4.6% gain.

Yet the rally in small-caps began to fade the following spring -- something analysts attributed to doubts that the Trump administration could enact tax cuts and infrastructure spending, two measures that were expected to most benefit small companies. At the same time, a brightening global economic outlook stoked investor interest in multinationals that were positioned to rake in growing sales from outside the U.S.

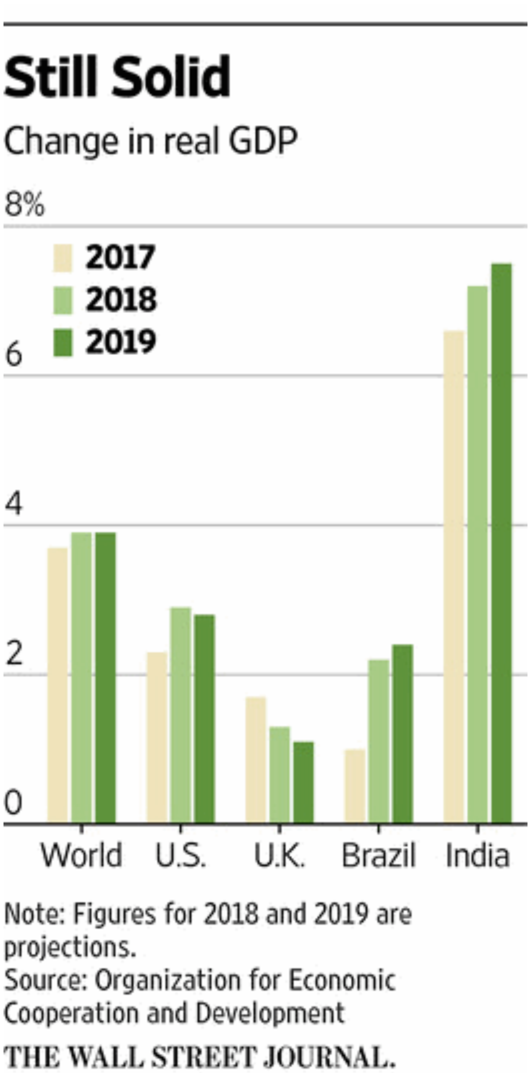
The short-lived small-cap rally has left some investors cautioning that domestic firms could soon lose their edge over multinationals again.

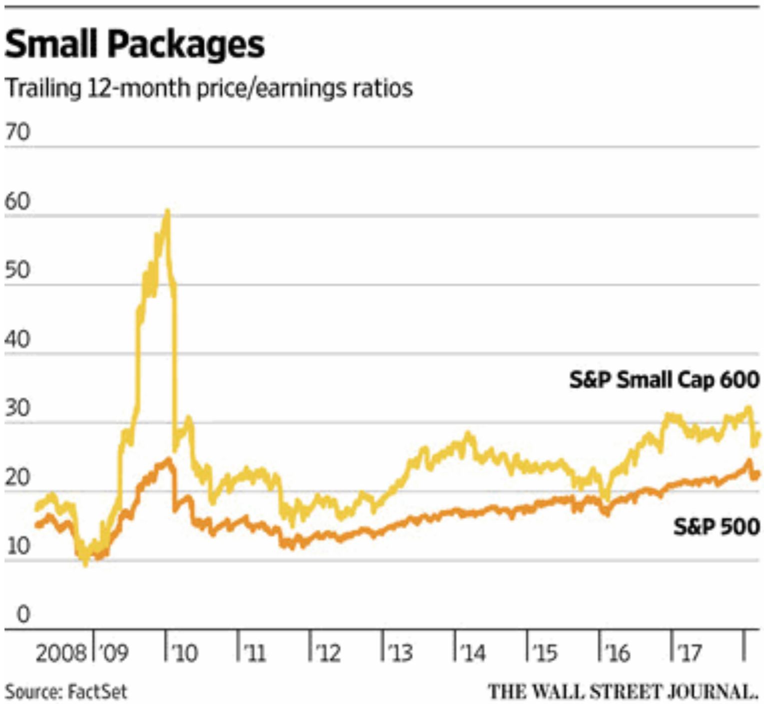
For starters, the U.S.'s moves toward more protectionist trade policy don't appear to have dented the global economic outlook yet. In a March report, the Organization for Economic Cooperation and Development said it expects the global economy to grow by 3.9% in both 2018 and 2019, an improvement from its November estimates of 3.7% and 3.6%, respectively.

Large U.S. corporations are also expected to continue posting strong earnings, thanks to a strengthening economy, savings from the tax overhaul and the weakening dollar, which has made U.S. exports cheaper to foreign buyers. Analysts expect first-quarter earnings at S&P 500 firms to increase 17% from the year-earlier period, building on gains from the fourth quarter, when corporate earnings grew at the fastest pace since the second half of 2011, according to FactSet.

To be sure, the upbeat earnings and economic outlook could change if trade tensions continue to escalate. Trade war fears, as well as a slide in shares of large technology companies, sent major indexes tumbling Friday, with the S&P 500 and Dow industrials posting their biggest one-week percentage decline in more than two years.

"A potential escalation into trade wars is arguably the most disruptive geopolitical risk to the global expansion and markets in 2018," said Richard Turnill, global chief investment strategist at BlackRock Inc., in a research note.





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THE WALL STREET JOURNAL.
U.S. EDITION

A Hot Tech Play Hits a Cold Snap

By Akane Otani
359 words
20 March 2018
The Wall Street Journal
J
B11
English

Investors piled a record amount of money into hot stock funds during the week before Monday's selloff, a sign that buyers who made aggressive bets may have gotten burned.

Mutual funds and exchange-traded funds tracking U.S. technology stocks posted a record $2.6 billion in net inflows last week, according to data from fund tracker EPFR Global, putting year-to-date inflows at $47.5 billion. More broadly, stock funds had $43.3 billion in inflows in the week through Wednesday, adding to gains that have put flows into stock funds on track to outpace those into bond funds for the first time since 2013.

The record-setting stream of money into stock funds has underlined how much the market has been driven by investor fervor for a handful of popular companies, which some say makes stocks vulnerable to sudden reversals.

On Monday, the **S&P 500** lost 1.4%, while the tech-oriented **Nasdaq Composite** Index dropped 1.8%.

Investor enthusiasm for fast-expanding companies has driven shares of companies like Amazon.com Inc ., Netflix Inc . and Nvidia Corp . sharply higher this year. Each of the stocks is up double-digit percentages in 2018, even as the broader **S&P 500** has risen 1.5%.

To be sure, most investors say the **stock market** doesn't look headed for a dot-com-style collapse. Corporate earnings are strong, interest rates remain relatively low and global economic growth is accelerating, three things that have helped reassure investors that the **bull market** still has room to run.

Still, some say that signs of elevated sentiment, such as investor crowding into popular trades, can be an indicator that the market is due for a sharp reversal. When those companies slide -- as they did Monday alongside Facebook Inc ., which fell 6.8% -- they can have an outsize drag on the market.

"Bull markets do not age by the clock but rather by their character, and often end with investor aggressiveness and the comfort of popularity," said Jim Paulsen, chief investment strategist at the Leuthold Group , in a note.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

Dow Industrials Fall as Gary Cohn's Exit Adds to Trade Concerns; Investors worry that trade disruptions could lead to ripple effects for wide range of commodities and products

By Riva Gold and Amrith Ramkumar
747 words
7 March 2018
05:02 PM
The Wall Street Journal Online
WSJO
English

The **Dow Jones Industrial Average** fell Wednesday after economic adviser Gary Cohn's resignation from the White House led to renewed concerns over a possible trade war and its impact on global growth.

Some investors saw Mr. Cohn's resignation as a sign that President Donald Trump was pushing forward with the steel and aluminum tariffs he announced last week and were worried that protectionist trade policies could spread. Mr. Trump will sign a proclamation to enact the tariffs this week , with "potential carveouts" for Mexico, Canada and possibly other countries, press secretary Sarah Huckabee Sanders said Wednesday.

Global trade disruptions could lead to ripple effects for a wide range of commodities and products, some investors fear , resulting in higher costs for companies and consumers and ultimately slower economic growth. The concerns about trade come after worries about higher interest rates sent the Dow industrials to their worst month in two years in February.

"We do think the aggregate risk to this more placid narrative has really gone up in recent months," said Eric Freedman, chief investment officer for U.S. Bank Wealth Management. "Things like trade policy changes and the potential for a trade war—those are real issues that may alter the timeline of economic growth and stability."

The Dow industrials closed down 82.76 points, or 0.3%, at 24801.36, after earlier shedding as much as 349 points. The **S&P 500** edged down 1.32 points, or less than 0.1%, to 2726.80, and the **Nasdaq Composite** added 24.64 points, or 0.3%, to 7396.65.

Stocks rose to start the week after prominent members of the Republican party pushed back against the tariffs, fueling bets that a widespread trade war was unlikely.

A number of companies and other countries have also voiced concerns about the tariffs in recent days, with full details still yet to be announced and uncertainty surrounding negotiations over the North American Free Trade Agreement.

The European Union on Wednesday urged Mr. Trump to rethink his planned tariffs , threatening to strike back unless the White House reverses course.

"You will have a disruption in growth if you get to the point where everybody is saying, 'We have no other option but to hit back,'" said Dec Mullarkey, a managing director on the investment research team at Sun Life Investment Management.

Shares of industrial firms that would be most affected by higher commodity costs were among the worst performers Wednesday. Heavy machinery maker Caterpillar fell $2.24, or 1.5%, to $151.51, weighing on the Dow.

Some U.S. bank stocks also fell as markets fretted over Mr. Cohn's departure and its implications for trade, the economy and regulation. JPMorgan Chase fell 43 cents, or 0.4%, to 114.73, while Citigroup slipped 14 cents, or 0.2%, to 73.92.

Oil prices tumbled 2.3%, leading to declines in the energy sector after government data showed that crude stockpiles increased and U.S. production reached new heights last week. Those losses helped offset gains in the technology, health-care and real-estate sectors.

The yield on the benchmark 10-year U.S. Treasury note edged up to 2.883%, according to Tradeweb, from 2.877% Tuesday. Yields rise as prices fall.

Some investors said they expect the market to recover and the global economy to remain strong, as long as an all-out trade war is avoided.

"In general, it should be a good period [for markets], but it's probably going to ping pong between these bouts of low **volatility** and great asset performance and short, sharp corrections that push people back on their heels when something crops up on the trade front" or elsewhere, said Robert Tipp, chief investment strategist at PGIM Fixed Income.

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More on Gary Cohn and Tariffs

* Cohn Resigns From White House After Losing Tariff Battle

* Capital Account: Trump Alienates Allies Needed for a Trade Fight With China

* Analysis: Tariffs Aren't the Answer for Steel's Woes

* Higher Tariffs, and Gary Cohn's Resignation: 'This Could Turn Very Badly'

* U.S. Was the Most Prolific User of Protectionist Measures Last Year

Document WSJO000020180307ee37000dy

THE WALL STREET JOURNAL.

Markets

Europe's Booming, but Investors Aren't Making Much; In the past 12 months, the Stoxx Europe 600 has returned just 0.3% in local-currency terms

By Jon Sindreu and Mike Bird
907 words
28 March 2018
03:03 PM
The Wall Street Journal Online
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English

Europe's economic boom and its stable politics have fulfilled investors' deepest wishes over the past year. All bar one: European stocks have barely made them a single euro.

In the past 12 months, the Stoxx Europe 600 has delivered only 0.3% gains in local-currency terms, accounting for both share-price appreciation and dividends, compared with a 14% total return for the **S&P 500**.

That is mainly because Europe's rosier outlook has boosted the euro 14% against the dollar during the same period, eroding the value of overseas earnings from domestically listed companies. About half the revenue of the Stoxx Europe 600 comes from abroad, FactSet data show. For the **S&P 500**, it is 30%.

Investors are also striking a cautious note about European stocks, unsure whether profits can continue to surprise on the upside and concerned about the potential threat of protectionism on the region's indexes, which contain many companies that export goods.

So, after a period of upward revisions, some investors and banks are beginning to downgrade their expectations for European stocks this year.

"We came into the year quite excited about Europe. But in the past month and a half we have scaled back" exposure to European stocks, said Eric Freedman, chief investment officer at U.S. Bank Wealth Management, which manages $151 billion.

Even measured in dollars, the Stoxx Europe 600 has returned only 15% over the past year, only 1 percentage point more than the **S&P 500**. Yet, most analysts and investors say there is a bigger risk that the U.S. expansion will slow in the near term than that Europe's will.

Stripping out the surge that followed the victory of pro-market candidate Emmanuel Macronin France's presidential elections last year, European stocks have severely underperformed their U.S. peers in dollar terms.

Economists expect the eurozone's gross domestic product to expand 2.3% this year, compared with 2.8% growth in the U.S., according to an average of forecasts compiled by FocusEconomics.

The Citigroup Economic Surprise Index, a broadly tracked measure of how expectations are being met, has edged down in the U.S. but remains at multiyear highs, meaning U.S. data are still broadly matching forecasts.

In the eurozone, the index has dropped to its lowest level since March 2016.

"We still have the synchronized recovery in the global economy," said Ewout van Schaick, head of multiasset at Dutch asset manager NN Investment Partners, which has €246 billion ($305.2 billion) under supervision. "But, at least for the moment, it can't surprise more to the upside."

Mr. Van Schaick removed his fund's bias in favor of European stocks after purchasing managers' surveys released last week showed that the eurozone economy expanded in March at its slowest pace since the start of 2017.

After that data, Citigroup's strategists also downgraded their expectation of where they believe the Stoxx Europe 600 will finish this year, to 420 points from 460. On Wednesday, the index rose 0.5%, to 369.26.

Last week, Deutsche Bank AG analyst Sebastian Raedler downgraded his forecast of fair value for the index, from 400 to 360 this summer, citing declining economic momentum.

Stocks still look cheaper in Europe than in the U.S., with the Stoxx Europe 600 trading at 13.9 times the earnings it is expected to generate over the next 12 months, compared with 16.3 times for the **S&P 500**. But the gap has narrowed considerably in the past two months. On top of large selloffs in U.S. shares, analysts have steadily downgraded their expectations for European earnings this year, while upgrading the **S&P 500**'s, according to data provider FactSet.

"We've been relatively cautious on the U.S. versus the rest of the world for some time," said Richard Turnill, global chief investment strategist at BlackRock Inc. "We've changed that view."

Investors also worry about negative impacts for exporters if new U.S. policies trigger a full-blown trade war. Concerns for exporters would heighten if the euro gets a boost when the central bank bond buying that has kept the currency lower, and stocks higher, is withdrawn in September.

To be sure, most asset managers still see good opportunities in parts of Europe.

Recent concerns about increased regulation for technology companies could be a comparative advantage for European indexes. The tech sector has been the main driver of U.S. stocks over the past year and makes up 25% of the **S&P 500**, but only 4.6% of the Stoxx Europe 600.

Southern Europe, in particular, still looks attractive for some investors.

While the more internationally focused German DAX **stock index** has dropped 5% in the past year, Italy's more domestically oriented FTSE MIB is up 9%.

"We are of course **bullish** on southern Europe," said Joseph Oughourlian, chief executive of European hedge fund Amber Capital. "Northern Europe is historically more exposed to China, tech and global trade, and these are complicated themes right now for an investor."

Georgi Kantchev contributed to this article.

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Economy

George: Slow Balance Sheet Unwind Destabilizing Markets | ECB Signals Tighter Policy | Investors Prepare for End of ECB's Corporate Bond Buys | BOJ Sticks With Holding Pattern | Buell's Take: The World Looks Beyond Draghi; The Wall Street Journal's central banking newsletter for Friday, March 9, 2018

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Buell's Take: The World Looks Beyond Draghi, Whether He Likes It or Not

Slow Fed Balance Sheet Unwind May Be Destabilizing Markets, Fed's George Says

Draghi Criticizes Proposed U.S. Tariffs as ECB Signals Tighter Policy

Investors Prepare for the End of ECB's Corporate Bond Buying

Bank of Japan Sticks With Holding Pattern

The World Looks Beyond Draghi, Whether He Likes It or Not

There was a humorous moment in Mario Draghi's press conference, when he finally got fed up with people asking about who would succeed him as president of the European Central Bank.

"You keep asking questions as if tomorrow I'm going to leave," he said.

On the one hand, Mr. Draghi has a point. He doesn't actually leave until the end of October 2019.

On the other hand, questions about his succession won't go away, whether he likes it or not. One reason is, as we've reported, there are many European and ECB positions up for grabs in the next couple of years.

Former Spanish Finance Minister Luis de Guindos is set to become the next ECB vice president in June. This despite serious objections from European politicians and central bankers who felt he wasn't the most qualified person for the position. The European Parliament committee for monetary affairs said it preferred Irish central banker Philip Lane for the post, but its view doesn't matter. Only those of finance ministers and presidents and prime ministers do.

But the bigger question is who will replace Mr. Draghi? And this prompts a whole series of related questions: Does the appointment of a Southern European to the VP post mean a Northern European gets the top post? Why should the process be determined by the home country of the candidates? Why are decisions being made that go against the will of the European Parliament, Europe's elected representatives? Why should Bundesbank President Jens Weidmann, who seems to stand outside the monetary policy mainstream in Europe, lead the ECB? Is it really fair to give him the role because "it's Germany's turn"? Why isn't a woman being considered for the top post?

These queries aren't going away because they touch on the democratic accountability of the central bank, an issue that arguably has gained currency since ECB President Jean-Claude Trichet neared the end of his term eight years ago.

Mr. Draghi might act annoyed, but he should be happy people are asking about his successor. It means that serious economic problems such as crises, recessions and countries possibly leaving the euro are off the table. Surely the man who pledged to do "whatever it takes" can rejoice about that.

Key Developments Around the World

Slow Fed Balance Sheet Unwind May Be Destabilizing Markets, Fed's George Says

By Michael S. Derby

Federal Reserve Bank of Kansas City President Esther George warned Thursday the languid pace of the central bank's balance sheet shrinkage effort may be causing negative effects on **financial markets**, in remarks that again called for continued rate increases.

"Asset prices may have become distorted relative to the economic fundamentals" due to the now completed central bank bond buying effort that took place during and after the financial crisis, Ms. George said in the text of a speech to be presented in Lincoln, Neb.

Although the Fed has started allowing its roughly $4.5 trillion portfolio to shrink, it may not be doing it fast enough, Ms. George said.

"The very slow pace of our balance sheet normalization may still be contributing to a buildup of various financial imbalances," the official said. "While until recently, **financial markets** remained remarkably stable, it is not uncommon to see **volatility** rise when asset prices become inflated and investors struggle to find a new equilibrium."

Ms. George isn't currently a voting member of the interest-rate setting Federal Open Market Committee. She has consistently argued in favor of rate rises for some time and has worried very easy Fed policy is running the risk of creating unwanted inflation and unstable **financial markets**.

Ms. George's inflation warnings haven't come to pass, but markets have been **volatile** of late as good economic news has driven many in markets to expect a more aggressive course of rate rises from the Fed this year. Markets have also been unsettled by a Trump administration trade agenda that most economists think is wrong headed and having potential to start an international trade war.

In her speech, Ms. George again made the case for rate rises. The central bank is broadly expected to boost its overnight target rate range at its meeting later this month.

"To sustain the expansion without pushing the economy beyond its capacity limits and creating inflationary pressures, it will be important for the Federal Reserve to continue its gradual normalization of interest rates," Ms. George said. "Given the current momentum in the economy, the FOMC will need to carefully calibrate its policy to lean against a potential buildup of inflationary pressure or **financial market** imbalances."

Ms. George was upbeat on the economy, and said that price pressures should converge on the Fed's 2% inflation target this year. She said recently passed tax cuts and stimulative government spending should be a modest boost for the economy.

"The good news is that the U.S. economy is currently growing at a moderate pace, with full employment and price stability," Ms. George said. She added, "risks to the outlook appear to be predominantly to the upside."

5 Things to Watch in the February Jobs Report

By Eric Morath

The Labor Department releases its February accounting of the U.S. labor market Friday. Economists surveyed by The Wall Street Journal expect employers added 205,000 jobs during the month and see the unemployment rate ticking down to 4.0%. Here are five thing to watch in the report.

1. A new low

If the unemployment rate falls from the 4.1% level where it has held since October, it would be the first time joblessness was at or below 4% since December 2000. To put that in perspective, Amazon was known then as an online bookseller. But while the headline unemployment rate is trending near a two-decade low, a broader measure that includes those too frustrated to look for work and those stuck in part-time jobs remains somewhat elevated compared with past economic expansions. That rate, known as the U-6, has edged up in recent months and suggests there is additional slack in the labor market.

2. Job-growth trend

Economists expect employers added at least 200,000 workers to payrolls for the second straight month (and fourth month in the past five). That would start off 2018 at a better hiring pace than last year's average monthly job growth of 181,000. An acceleration in hiring runs counter to economists' expectation for job gains to ease in a historically tight labor market.

3. Wages wind back

Average hourly earnings, the primary measure of wage growth, advanced 2.9% in January from a year earlier. That was the best 12-month gain since the recession ended in 2009. Economists, however, expect the pace of wage growth to ease. January's gain was led by raises for managers. Some analysts say that may partially reflect hourly employees missing work in January due to winter weather and the flu. If those lower-wage employees worked more hours last month, that would weigh on average earnings.

4. Going to work?

The share of Americans working or looking for work has stabilized in recent years, after falling since the early 2000s. But the labor-force participation rate is still trending near the lowest level since the late 1970s, when the share of women entering the labor market was still on the rise. And in the past two months, the rate has edged down from a recent high touched last fall.

5. **Volatile** measures of unemployment

The unemployment rate for black workers has trended near the lowest level on record in recent months, a fact President Donald Trump highlights. But the data tends be **volatile** month-to-month due to small sample sizes. For example, the black-unemployment rate jumped nearly 1 percentage point in January from a record low in December. More broadly, the rate for black Americans is near the same level as in 2000, when overall unemployment similarly as low, but it's still well above the rate for whites.

Draghi Criticizes Proposed U.S. Tariffs as ECB Signals Tighter Policy

By Paul Hannon and Tom Fairless

European Central Bank President Mario Draghi said tariffs proposed by President Donald Trump raise questions about the strength of the trans-Atlantic alliance, as the bank signaled a shift toward tighter monetary policy.

Speaking during a news conference Thursday, Mr. Draghi said the immediate impact of the proposed tariffs on steel and aluminum would likely be small, but could be greater if other countries retaliated.

Mr. Draghi said the proposed tariffs added to existing "worry and concern" over the state of international relations, and particularly those between the U.S. and Europe.

"If you put tariffs against your allies, one wonders who the enemies are," he said.

Mr. Draghi joins a chorus of European officials and U.S. lawmakers to speak out against the tariffs and warn of negative consequences for the global economy. The European Union on Wednesday urged Mr. Trump to rethink the tariffs, challenging U.S. national security claims and threatening to strike back unless the White House reverses course.

In another sign of growing tensions between Europe and the U.S., Mr. Draghi offered a critique of U.S. plans to roll back postcrisis financial rules, which would relax dozens of rules for small to medium-size banks.

"I would flag this in one major risk in the years ahead," he said, adding that the rollback would "repeat the same mistake" legislators made in the years leading up to 2008.

The possibility of an international trade war and a more fragile financial system didn't prevent the ECB from signaling a shift toward tighter monetary policy.

In a policy statement, the ECB dropped a long-held pledge to accelerate its €30 billion ($37 billion) monthly bond-buying program if the region's economy deteriorates. That promise, designed to reassure investors, had been criticized by some ECB officials as excessive given the strength of the bloc's economic recovery.

The move sets the ECB firmly on course to phase out a historic stimulus program that is credited with reinvigorating growth in the 19-nation eurozone but has faced heavy criticism in the bloc's biggest economy, Germany.

Mr. Draghi played down the significance of the move, saying it reflected the pickup in growth since the pledge was introduced at the end of 2016.

"It's essentially a backward-looking decision," he said, stressing that "victory cannot be declared yet" in the central bank's battle to raise the annual rate of inflation.

The euro nudged higher after the policy announcement to trade up 0.1% against the dollar on the day, before losing ground to trade 0.3% lower after Mr. Draghi's press conference.

The decision to drop the pledge was accompanied by new forecasts from the ECB's economists, who now project growth at 2.4% this year, compared with 2.3% when they last released projections in December.

That upgrade indicates that the ECB doesn't expect the threat of a trade conflict with the U.S. to weigh heavily on the eurozone economy this year.

Mr. Trump is expected to sign a decree this week laying out his plan to impose new tariffs on steel and aluminum, sparing both Canada and Mexico. That could happen as soon as Thursday afternoon.

The direct impact of the proposed tariffs is likely to be modest. Economists at UBS calculate that sales of steel account for just 1.4% of eurozone exports to the U.S., or 0.2% of total eurozone exports. However, there is a risk of an escalation that could inflict greater damage.

Investors have been watching closely for signs as to when the Frankfurt-based central bank will phase out its quantitative-easing, or QE, program and start raising interest rates. The timing of that decision will have a large impact on market interest rates and asset prices.

The ECB said in its statement that it will continue to purchase bonds through September, "or beyond if necessary," and that its key interest rates won't rise "for an extended period of time."

The eurozone economy grew at an annualized pace of 2.4% in the fourth quarter of last year, and unemployment is expected to fall to 8% by the end of the year, the lowest level in a decade. Inflation has remained weak, however. It slid to just 1.2% last month, some way from the ECB's target of just below 2%. The ECB's economists cut their inflation forecast for next year to 1.4% from 1.5%, but still see a pickup to 1.7% in 2020.

ECB officials had signaled they could give fresh guidance on the QE program early this year, but analysts had curbed their expectations for Thursday's meeting in recent days, pointing to burgeoning risks in the world economy.

Financial markets have seesawed since the ECB's January policy meeting amid concerns over the retreat of central banks and the risk of global trade wars.

Mr. Draghi also said the ECB is closely monitoring **financial-market volatility** and a recent appreciation of the euro currency, which has risen from $1.06 a year ago.

Five Takeaways From the ECB's Policy Announcement

By Paul Hannon

Ahead of the European Central Bank's second policy meeting of the year, the big question for investors was whether it would drop a pledge to increase bond purchases if the outlook for inflation worsens. In the days following U.S. President Donald Trump's announcement of tariffs on steel and aluminum imports, such a move seemed less likely, given the risk to growth.

But in the end, ECB President Mario Draghi delivered the change in language, which marked a small but significant step toward scaling back its large monetary stimulus, while warning that the tariffs and the trade war they threaten could have implications for global economic growth. Here are five takeaways from Mr. Draghi's news conference.

Easing out of an easing bias

Back in December 2016, the ECB cut its bond-buying program, but added a pledge to reverse that move if "the outlook becomes less favorable, or if financial conditions become inconsistent with further progress toward a sustained adjustment of the path of inflation." Regarded by ECB hawks as an easing bias that was increasingly inappropriate for an economy enjoying its strongest growth in a decade, policy makers dropped the pledge

Thursday. Mr. Draghi cautioned against reading too much into that step, describing it as "essentially a backward-looking decision."

Trade troubles

Mr. Draghi said the immediate impact of U.S. tariffs on the eurozone economy would likely be minor, but voiced a deeper disquiet over what the move says about relations between the U.S. and the EU. "If you put tariffs against your allies, one wonders who the enemies are," he said, warning that further moves in the same direction could hit confidence in a way that threatened greater harm.

The Latvian question

The governing council was missing one of its members as it mulled its latest move, with Latvian central bank governor Ilmars Rimšēvičs having been arrested last month as part of a criminal investigation into whether he extorted bribes. He denies wrongdoing, but has been suspended from attending meetings of the ECB in Frankfurt. Mr. Draghi announced that the ECB is formally asking the European Court of Justice for clarification on whether Mr. Rimšēvičs had effectively been removed from office, and whether the way in which that was accomplished was in line with EU law.

Italy

An Italian national, Mr. Draghi was repeatedly asked to comment on the outcome of Sunday's elections, in which parties that are hostile to membership of the eurozone made gains. Mr. Draghi said little, other than to repeat his assertion that "the euro is irreversible."

Deregulation

Largely unprompted, Mr. Draghi also delivered a warning on U.S. plans to roll back some postcrisis financial regulations, saying that action posed a "major risk in the years ahead," and appeared to repeat the mistakes made by legislators in the years running up to 2008.

Investors Prepare for the End of ECB's Corporate Bond Buying

By Mike Bird

The European Central Bank became one of the world's biggest corporate bond buyers two years ago, and now investors are asking what happens when the buying stops.

Many investors believe that the ECB's exit could lead to a widening of the spread between safe government bonds and some corporate debt.

But analysts' views depend on how they view the program's impact, getting to the heart of a current debate about the success of global central bank stimulus, now that it is being withdrawn.

On Thursday, the ECB took another step toward ending its bond buying, currently scheduled to run until September, by dropping a long-held pledge to accelerate the €30 billion-a-month program if the region's economy deteriorates.

The ECB surprised markets on March 10, 2016, after announcing that it would add euro-denominated corporate bonds to the already billions of euros of sovereign debt it was buying as part of its efforts to lower borrowing costs and stimulate bank lending.

The central bank has bought an average of €6.8 billion ($8.42 billion) in investment-grade, nonfinancial corporate bonds each month since the buying kicked off in June 2016. That is equal to around 60% of bond issuance over the past year that the ECB is eligible to buy, according to CreditSights.

"They've basically morphed themselves into a pretty substantial asset manager in credit in a short space of time," said Barnaby Martin, head of European credit strategy at Bank of America Merrill Lynch. "It's not necessarily obvious that spreads blow out, but you may see more dispersion" in the performance of bonds, he said, suggesting that there could be a rise in currently minimal default rates.

The ECB has already trimmed its government bond buying, meaning that corporate purchases have risen to make up over 18% of the total program, compared with an average of 10% in 2016 and 2017.

Since the program began, spreads on European investment-grade bonds have fallen by half to around 0.76 percentage point. That may have pushed down spreads on high-yield bonds, which the ECB doesn't buy, from over six to around 2.5 percentage points, as yield-starved investors look elsewhere for returns.

"Investors, in particularly insurers, have had to go lower into high yield," said Vincent Mortier, deputy chief investment officer at Amundi.

So the withdrawal of corporate bond buying is an important topic for investors.

The squeezed spreads on bonds leave little wiggle room for investors. A small fall in **bond prices**—which move inversely to yields—could reduce returns to zero.

For UBS Wealth Management, the potential for a jump in the spread between safe government bonds and other debt will depend on the speed of the ECB's exit. Some speculate that the program may come to a speedier halt than the tapering that has happened with government debt buying.

But if you think that the program didn't have much effect on yields in the first place, the wind down is unlikely to move them now.

"I suspect the tightening of credit spreads—not just in investment grade, but in high yield and subordinated debt, is more down to the improvement in the economy," said Antonio Ruggeri, credit fund manager at SYZ Asset Management.

The eurozone's economic recovery already was picking up pace by the beginning of 2016, when the program was launched. In 2017, the region's economy outperformed the U.S. and conditions have been robust so far this year.

Investors already have one precedent in the end of a central bank's corporate bond buying. The Bank of England began purchasing sterling-denominated corporate bonds after Britain's June 2016 European Union referendum.

When the BOE announced it would start buying corporate bonds in August 2016, spreads dropped by 0.2 percentage points over the next two trading days. But in April 2017, the central bank canceled the program almost a year ahead of schedule, and the market barely reacted. Spreads on the bonds listed on the iBoxx Sterling Corporate Index fell to a post-financial crisis low of 1.19 percentage points in January this year.

What impact, if any, the corporate bond purchases have had on the broader economy is unclear. Companies whose bonds had been purchased by the ECB were initially skeptical that they would use lower-yielding debt to finance investment.

Last year, analysis submitted to the European parliament by economists at the London School of Economics suggested that the pass-through effect of the program were positive but limited. Bank lending has improved in the eurozone, but just not by much.

Still, some economists believe that the program worked.

"It's been highly controversial, but it's done the job," said Erik Nielsen, global chief economist at UniCredit, who believes the program drove investment.

"When the history books are written I actually think you'll see this had the biggest bang for its buck," he said.

Quick Hits: ECB's Drop of Easing Bias Seen as ‘Largely Cosmetic'

ECB's Drop of Easing Bias ‘Largely Cosmetic': HSBC

The European Central Bank's dropping of its easing bias is a "largely cosmetic" change, say European economist Fabio Balboni and chief European economist Simon Wells of HSBC. "The market was not expecting any increase in the pace of [quantitative easing] between now and September anyway," they add. The change, however, partly answers the concerns raised by some ECB Governing Council members recently, that the forward guidance had become slightly out of touch with the strength of the real economy and therefore lacked credibility, they say.

—Emese Bartha

ECB Does ‘Good Housekeeping': BBH

The European Central Bank's dropping of its easing bias is "simply good housekeeping," says Marc Chandler, global head of currency strategy at Brown Brothers Harriman. Despite the tweak, if there were some kind of shock, there should be no doubt the ECB would respond regardless of its explicit guidance, he adds. Easing bias refers to a long-held pledge to increase bond buying if the economy deteriorates.

—Emese Bartha

ECB Preparing Markets for End of QE: UBS

By dropping a reference to being prepared to extend bond buying if economic conditions deteriorate, the European Central Bank is preparing markets for quantitative easing to end, says UBS. It expects QE to end in September, which the ECB would announce in June or July, while ECB focus will switch from discussing ending QE to when interest rates will rise. UBS expects a deposit rate increase from minus 0.4% to minus 0.2% in July 2019 and to zero in September 2019. "Dropping the explicit easing bias today is part of a gradual shift in the ECB's communication aimed at preparing the markets for the end of QE," UBS says.

—Jessica Fleetham

ECB Trade War Comments ‘Spooked Markets,' ING Says

EUR/USD rose to a three-week high after the European Central Bank dropped its easing bias, but reversed gains later due to ECB President Mario Draghi's comments regarding a possible global trade war, says Viraj Patel, foreign-exchange strategist at ING. The ECB increased 2018 growth forecasts, but with Mr. Draghi saying confidence may be hurt by a trade conflict, which would be negative for growth, he has "spooked markets," Mr. Patel says. "That means all these [ECB] projections might be changing." he says.

—Olga Cotaga

Eurozone Inflows in 2017 Strong and Likely to Continue: Deutsche Bank

It's the money flows into the eurozone that have pushed up the euro and the "flow ‘normalization' story has more to run," says Deutsche Bank. Foreign direct investment turning "neutral" and equity flows rising "strongly" in 2017 point to the fact that European companies "have become more focused on domestic acquisitions" and that "foreigners' preference for European stocks remains strong." More than that, "foreigners are rotating their holdings from hedged to un-hedged exposure to take advantage of a rising euro," Deutsche Bank says.

—Olga Cotaga

ECB Lowers ELA Cap for Greek Banks

The European Central Bank has lowered the cap on emergency liquidity assistance, or ELA, to Greek banks by €3.2 billion ($3.97 billion) to €16.6 billion, the Bank of Greece says. The move reflects improved liquidity and takes "into account flows stemming from private sector and from the banks' access to wholesale **financial markets**," it says. Greek banks were forced into ELA in 2015 after the ECB suspended an exemption that allowed banks to use speculative-grade-rated Greek government bonds as collateral for regular ECB loans.

—Nektaria Stamouli

Bank of France Confirms 1st-Quarter GDP Estimate

The French economy will continue expanding in the first quarter, albeit at a slightly slower pace than in the last quarter of 2017, a survey by the Bank of Frances showed Thursday, confirming its estimate from last month. Gross domestic product will rise 0.4% on quarter in the first quarter of 2018, according to the central bank's monthly survey of business activity, conducted in February. The French economy expanded 0.6% on quarter in the final quarter of 2017. France is in the middle of an economic expansion, fueled by strong business investment. The Bank of France survey showed industrial production continued to increase in February, and business leaders expect a further rise in March. In services, business leaders expect a sharp uptick in March compared with February, when bad weather tamped down transport, temporary work and food services. Construction—also affected by weather—is also seen rebounding strongly in March, the survey showed.

—Sam Schechner

No Big Changes Expected From SNB Next Week: Citi

Don't expect any big changes from the Swiss National Bank when it meets in one week, say analysts at Citi. "No hawkish signals expected. All in all, we do not expect any signs that the SNB might bring forward balance sheet reduction or the first rate hike or drop the guidance that the Swiss Franc remains 'highly valued,'" they write. Citi analysts expect the SNB to keep its policy rate at minus 0.75% until the European Central Bank starts raising rates, meaning at least mid-2019.

—Brian Blackstone

GDP Trackers Rise Following QSS Data

Even though top-line service-sector revenue growth was revised down in Thursday's Quarterly Services Survey report from the Commerce Department, relative to last month's advance estimate, forecasters found silver linings in the details. JPMorgan Chase raised its estimate for fourth-quarter gross domestic product growth to 2.9% from 2.6%, based in large part on stronger-than-expected spending on motor vehicle maintenance and repair—which would make sense, given post-hurricane recovery efforts under way in the final months of 2017. Macroeconomic Advisers also raised its tracking estimate to 2.9%, from an earlier projection of 2.7%, following the report. The government's official revised estimate for fourth-quarter GDP is due out later this month.

—Ben Leubsdorf

Critical Times for Canadian Dollar Ahead: Commerzbank

The "truly critical" phase has yet to come for the Canadian dollar, says Commerzbank. The Bank of Canada kept its interest rate unchanged on Wednesday and it may not raise it until there is some clarity on North American Free Trade Agreement negotiations. "The longer the uncertainty about NAFTA continues, the more the market is likely to lower its rate expectations, which will weigh on CAD," Commerzbank says.

—Olga Cotaga

Yen Outperformance Not Only Due to Safe-Haven Appeal

The Japanese yen "seems to remain strong, irrespective of risk appetite," says UniCredit. The yen's safe-haven status has pushed it higher against the dollar on the back of U.S. trade and political uncertainties, but the trade-weighted yen also has continued to rise, it says. UniCredit notes that the Bank of Japan "has just now started officially mentioning the word exit" from quantitative easing, providing additional support to the yen. It expects USD/JPY to fall to 102 this year and possibly even lower.

—Olga Cotaga

BOJ's Kuroda Continues to Tamp Down Talk of Higher Rates

By Megumi Fujikawa

TOKYO—Bank of Japan Gov. Haruhiko Kuroda said Friday the central bank wouldn't scale back its aggressive monetary easing program before inflation reaches its goal of 2%, in another attempt to tamp down expectations for early rate increases.

"I'm not planning at all to terminate or weaken the degree of monetary easing under the current framework of the yield curve control and overshoot commitment before achieving the 2% price target," Mr. Kuroda said at a news conference.

The comment marks the second attempt this week by Mr. Kuroda, set for a second term starting in April, to cool down market speculation over rate increases or a scaling back of the central bank's easing program.

Last week, the 10-year government **bond yield** and the yen surged after Mr. Kuroda said for the first time that the bank would consider exiting its current policy in the fiscal year starting in April 2019 when the bank forecasts inflation will reach its goal of 2%.

That prompted the governor to say during a confirmation hearing in parliament on Tuesday that considering an exit in fiscal 2019 didn't necessarily mean the exit would take place that year.

Following the comments, some analysts pushed back their projections for a rate increase this year by the Japanese central bank to 2019.

Still, Mr. Kuroda on Friday kept the door open for rate adjustments before hitting 2% inflation, saying it is theoretically possible, though it is not something he is considering at the moment.

Earlier in the day, the Japanese central bank voted 8-1 to maintain its target for 10-year Japanese government bond yields at around zero and its short-term deposit rate at minus 0.1%, extending its holding pattern on its current policy settings to a year and a half.

Starting from the next meeting in April, the BOJ will be under a new leadership. The new deputy governor nominees are Masayoshi Amamiya, a career BOJ official, and Masazumi Wakatabe, an economics professor who is known as a reflationist.

Bank of Japan Sticks With Holding Pattern

By Megumi Fujikawa

TOKYO—The Bank of Japan left its aggressive easing policy unchanged Friday and offered no new clues on when and how it might join other major central banks in winding down its measures as Haruhiko Kuroda heads toward a second five-year term as governor.

The Japanese central bank voted 8-1 to maintain its target for 10-year Japanese government bond yields at around zero and its short-term deposit rate at minus 0.1%, extending its holding pattern on its current policy settings to a year and a half.

The bank also stuck with its pledge to buy government bonds at an annual rate of 80 trillion yen ($750 billion), a passage seen by investors as a symbolic gauge of its commitment to easing. The actual pace of purchases has fallen below ¥55 trillion in the most recent 12-month period.

The decision to keep policy on hold comes amid recent focus among economists and investors on when the central bank will scale back its easing measures.

Mr. Kuroda, set for a second-term starting in April, recently said for the first time that the bank would consider exiting its current policy in the year starting in April 2019 when inflation is expected to reach its goal of 2%.

Speculation over a possible rate increase in Japan has contributed to a strengthening of the yen since the beginning of the year amid a global move away from extraordinary stimulus measures led by the Federal Reserve, an improvement in Japan's economy and a gradual uptick in inflation.

Mr. Kuroda's comment last week sent the yen and 10-year JGB yields sharply higher, illustrating markets' sensitivity to any exit talk. A few days later, the BOJ chief toned down his language, saying his remark didn't necessarily mean the bank would start departing from its current policy in that year.

At its meeting, the bank maintained its assessment of the economy, saying it was "expanding moderately," a day after Japan confirmed its longest stretch of growth since the late 1980s. Revised government data released Thursday showed that Japan's economy grew 1.6% in the last quarter of 2017, faster than initially estimated, as consumers spent more and firms ramped up capital investment.

Still, the extended growth streak has yet to translate into inflation of 2%. One member of the BOJ board continued to argue that the central bank wasn't doing enough to reach its inflation target. Goushi Kataoka again voted against the decision to keep policy on hold, reiterating his view that the bank won't reach the goal by March 2020 without taking more action. He recommended the bank lowered the 10-year yield target rate and other longer-term rates.

The most recent inflation data show that core consumer prices rose 0.9% on year in January.

Investors are likely to closely scrutinize Mr. Kuroda's news conference remarks later in the day for any new clues over the bank's possible exit from its ultra-easy monetary policy.

Bank of Canada Warns Trade Disputes Can Have ‘Serious Consequences'

By Kim Mackrael

OTTAWA—The U.S. decision to exclude Canada from planned steel and aluminum tariffs isn't enough to alleviate concerns over trade, Bank of Canada deputy governor Timothy Lane said Thursday.

"It's still a pretty fluid situation, and I would say we're not in a situation of calling an all clear," Mr. Lane said when asked about the tariffs during a press conference in Vancouver. "There's still a certain degree of uncertainty."

Mr. Lane made the comments shortly after U.S. President Donald Trump signed proclamations imposing tariffs on steel and aluminum that exempted Canada and Mexico. The exemptions are contingent on the outcome of talks to renegotiate the North American Free Trade Agreement, a U.S. official told reporters.

Earlier Thursday, Mr. Lane gave a speech saying the possibility of U.S. tariffs on steel and aluminum and growing protectionist rhetoric could have serious consequences.

Mr. Lane in his speech said the central bank is watching efforts to renegotiate Nafta and "growing global trade tensions" to assess their impact on Canada's economic outlook. His speech to the Greater Vancouver Board of Trade came a day after the Bank of Canada left its benchmark interest rate unchanged at 1.25%.

"Recent developments with respect to steel and aluminum, alongside increased protectionist rhetoric, carry potentially serious consequences," Mr. Lane said the speech. "We do not know how or when the Nafta talks or other trade disputes will conclude, and we do not know how industries or governments will react."

Mr. Lane said uncertainty on Canada's trade agreements, including Nafta, is already affecting business investment decisions. Recent U.S. tax changes could further damp investment in Canada, he said.

The speech marks the first time the Bank of Canada has provided a so-called economic progress report following an interest-rate decision. The report is meant to offer an update on the country's economic outlook one day after interest-rate decisions that aren't accompanied by monetary policy reports.

Mr. Lane said the Canadian economy is progressing well, after a decade of setbacks. Growth is becoming more balanced, the material slack in the country's economy and labor market has largely been absorbed, and inflation is close to target, he said.

Because it isn't clear how Nafta talks and other trade disputes will be resolved, Mr. Lane said the Bank of Canada's working assumption is that existing trade deals will stay in place over its two-year projection horizon.

In raising its key interest rate three times since last July, Mr. Lane said the Bank of Canada has been balancing the risk of undermining economic growth by moving too quickly against the risk of allowing inflation to move too high.

China's PBOC to Play ‘More Important' Role in Financial Supervision

BEIJING—China's central bank will play a more important role in financial supervision as the authorities streamline financial regulation, but they need more time to decide on the direction, People's Bank of China Gov. Zhou Xiaochuan said Friday, suggesting sweeping changes won't be imminent.

The central bank will fill a vacuum in regulatory supervision as China tries to improve efficiency and coordination among regulators, Mr. Zhou said at a briefing during the National People's Congress.

"We have studied the ‘twin peaks' [regulatory structure,] but we still need time to observe. We won't necessarily adopt the ‘twin peaks'," he said, referring to a model of financial regulation in countries including the United Kingdom.

Under that regulatory model, the central bank is responsible for financial stability and prudential issues, while a separate agency oversees business issues and investor protection.

Mr. Zhou vowed to step up efforts to ease restrictions on China's **financial market** to make it more accessible for foreign investors, while repeating a longstanding policy goal of liberalizing the capital account in a gradual and steady manner.

China will reduce its reliance on pumping large amounts of cash into the domestic economy to stimulate growth, he said.

M2 growth is no longer an accurate barometer of China's monetary policy, he said, adding the authorities will pay more attention to other indicators such as inflation and employment.

China's consumer inflation accelerated to a more-than four-year high in February, as food prices rose for the first time in over a year on demand during the Lunar New Year holiday, official data showed Friday. The consumer-price index rose 2.9% from a year earlier in February, close to Beijing's 2018 target ceiling of 3%.

They country's broadest measure of money supply, M2, also released Friday, grew 8.8% at the end of February from a year earlier, compared with an 8.6% increase at the end of January.

At Friday's briefing, Mr. Zhou said the central bank is working with other agencies to develop its own digital currency, but needs to conduct tests before rolling out any digital currencies.

—Liyan Qi and Grace Zhu

Friday

8:30 a.m. EST

U.S. Labor Department releases February jobs report

11:30 a.m. EST

Boston Fed's Rosengren speaks

12:45 p.m. EST

Chicago Fed's Evans speaks

Publicly Funded Applied Research Pays Off for Firms, Productivity and Growth

"Governments invest in public applied research institutions in the hope of transferring scientific knowledge to industry and thus boost private innovation. But do these investments actually pay off?" Diego Comin, Georg Licht, Maikel Pellens and Torben Schubert ask in a VoxEU research column. Yes, they find after studying the "activities of Germany's leading applied research organization, the Fraunhofer-Gesellschaft." When companies "collaborate on research projects with Fraunhofer, they do significantly better in terms of growth, productivity, as well as innovation. Furthermore, the macroeconomic benefits of Fraunhofer appear to outweigh its costs," they write.

Trade Spat Just Noise as ECB Edges to Exit

"The past few weeks have seen **financial markets** swing to and fro sharply, with fears around trade and protectionism now added to the mix. But central banks like the European Central Bankaren't changing direction," Richard Barley writes for The Wall Street Journal. "The ECB Thursday took another small step toward ending its extraordinary monetary policy measures by dropping a pledge to extend or accelerate its bond purchases if necessary…The tweak to the guidance and the tone set by Mr. Draghi suggest that despite market turbulence, central bankers are still on the path to the exit door."

Trump's Steel and Aluminium Tariffs: How WTO Retaliation Typically Works

"President Trump's announced intention to impose import tariffs of 25% on steel and 10% on aluminum touched off a wave of retaliation threats and trade policy responses from trading partners, including the EU," Chad Brown writes in a VoxEU column. "Rules established by [World Trade Organization] dispute settlement permit a country to retaliate against an action such as the one Trump plans to take if there is a legal finding that the national security rationale is baseless. The compensation—or retaliation—limit has historically been set at the value of an exporting country's lost trade. However, it could take years for retaliation under the process of formal WTO dispute settlement to unfold. As a result, countries may take other steps to circumvent that process, while at the same time claiming that they are relying on basic WTO rules to guide their retaliation response."

The Most Dangerous Man in Europe

Bundesbank President Jens Weidmann isn't the right person to succeed Mario Draghi as head of the European Central Bank, and would pose a threat to the eurozone's survival if the currency area faced another crisis with him at the helm of the key institution, writes Simon Tilford for Foreign Policy. "Within Germany, Weidmann represents orthodox thinking, but among Europe's most respected monetary officials, he is an eccentric," he writes. "If he ascends to the ECB's presidency, it will be no laughing matter. Europe's central bank would then be led by someone who not only opposed the many extraordinary measures that saved the eurozone (and with it the bank itself), but who also appears to reject basic tenets of modern macroeconomics and central banking."

Americans' wealth pushed further into record territory in the final quarter of last year, hitting nearly $100 trillion thanks to rising stock markets and property prices.

The number of Americans filing applications for new unemployment benefits rose last week, ticking up from the lowest level since 1969.

China's consumer inflation accelerated sharply in February, rising to an over four-year high, as food prices rose for the first time in over a year on Lunar New Year holiday demand, official data showed Friday.

Send us your tips, suggestions and feedback. Write to:

Jon Hilsenrath; Katy Burne; Michael Derby; Nell Henderson; Jason Douglas; Paul Hannon; Harriet Torry; Kate Davidson; David Harrison; Kim Mackrael; Tom Fairless; Michael Maloney.

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THE WALL STREET JOURNAL.
U.S. EDITION

Tech Gives Boost to Consumer Sectors

By Ben Eisen
472 words
13 March 2018
The Wall Street Journal
J
B11
English

Technology companies are conquering the **stock market**, boosting sectors not often associated with the giants of Silicon Valley.

The **S&P 500** consumer discretionary sector, typically linked to shopper favorites like Under Armour Inc. and Starbucks Corp., is a prime example. It has risen 7.8% so far in 2018, even after recent market turbulence, nearly double the 4.1% rise in the broader index. The gains are due largely to its highflying tech-focused constituents Netflix Inc. and Amazon.com Inc.

The grouping offers a clue about how other **S&P 500** sectors could perform later this year when index providers S&P Dow Jones Indices and MSCI shake up their index classifications. The overhaul will put some stocks often considered tech firms into nontech sectors.

That stands to boost the rearranged stock groupings and attract investor money if the stocks keep rallying. Among the five biggest U.S. companies by market value -- Apple Inc., Alphabet Inc., Amazon, Microsoft Corp., and Facebook Inc. -- just two will sit in the tech sector after the shift. Currently, four reside there.

Such a shift is meant to reflect the broader reach that tech firms now have across the economy, industry executives say. It holds weight for investors who have piled billions of dollars into sector-specific exchange-traded funds and mutual funds. They will see the composition of their portfolios change once the index changes take effect in September.

The power behind the consumer discretionary's 2018 rally comes from Netflix, whose 67% surge so far this year makes it the **S&P 500**'s best performer. The sector has also been propelled by Amazon, up 37% in 2018, whose $774 billion market cap makes it the third-biggest stock in the index. Its large size gives it more pull on the market-cap weighted index.

The two stocks together make up more than 30% of the consumer discretionary sector's market value, as of Friday. That has been a key pillar of support over the past few years. The sector has been the best-performing within the **S&P 500** over the nine-year **bull market**, increasing its share of the broader index.

A to-be-created communication services sector may get a similar boost in September. Google parent Alphabet and social-media giant Facebook will be moved from the tech sector into the new grouping, according to a partial list of moves released earlier this year. That sector will also pull in Netflix and TripAdvisor Inc. from the consumer discretionary sector.

"All else equal, going into the reclassification, there will be higher momentum for these communications stocks," said Sam Stovall, chief investment strategist at research firm CFRA. "In the short-term, they probably could end up outperforming."

Gunjan Banerji contributed to this article.

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THE WALL STREET JOURNAL.

Markets

Tech Selloff Points to a Likely Reckoning for Global Stock Rally; Big, fashionable tech stocks—especially Apple, Microsoft, Amazon.com, Facebook and Alphabet— dominate the S&P 500, so their decline has a disproportionate effect on the wider market

By James Mackintosh
964 words
29 March 2018
10:54 AM
The Wall Street Journal Online
WSJO
English

Stock market rotations sometimes work out well for investors, but the historical echoes in the recent selloff of highflying technology stocks are worrisome.

It is too early to be sure that the shift of the past few days out of the most fashionable tech stocks will continue, but if it does the wider market faces some big challenges.

First is the sheer scale of the tech companies. The five biggest components of the **S&P 500** at the end of February were all tech stocks: Apple Inc., Microsoft Corp., Amazon.com Inc., Facebook Inc. and Alphabet Inc. (formerly Google). At their peak value two weeks ago, those five made up 15% of the S&P's market value, more than the entire financial, health-care or industrial sectors.

Because of their size, drops in their shares have a disproportionate effect on the wider market. The problem shows up in the difference between the ordinary S&P, in which each stock is given a weight based on its adjusted market value, with some adjustments, and the equal-weighted version. The S&P is down 5.3% since Facebook began to fall two weeks ago, while the equal-weight S&P has lost 4.2%.

This leads directly to the second problem: It is hard for the rest of the market to make up for the losses among the fashionable stocks. Many of the trendy tech companies command extremely high valuations, so even if their underlying business were to be won back by traditional companies, the lower multiple of profits investors assign to old-line stocks should mean a lower overall valuation for the market, and so a lower S&P.

That doesn't make it impossible, as part of Wednesday's market moves showed. Reports that President Donald Trump wanted to hit Amazon pushed its shares down 4.4%, and that was great news for its competitors (Amazon is defined as a retailer by index compilers). Most retail stocks rose, led by Macy's Inc.'s 4.3% gain. It was a zero-sum move, so while some investors lost out, others gained.

This creates a third problem: Companies such as Macy's and Walmart Inc. don't set investor pulses racing. The story of companies like Amazon, Google or Facebook—or smaller companies such as Tesla Inc. and Netflix Inc.—setting out to disrupt businesses and conquer the world with ambitious research spending is exciting and sucks in investor dollars. If that narrative disappears, perhaps the money won't go into stocks at all.

Put another way, the market has been led up by these tech stocks. If the narrative is indeed changing, what will take their place? History is full of examples of sectors and story stocks coming in and out of fashion, but the really big sector rotations bode ill for the wider market.

The demise of the blue-chip Nifty Fifty in the early 1970s, the technology, media and telecom implosion in 2000, and the blowup of banks and energy stocks in 2008 make awful precedents.

After the dot-com bust in March 2000, the rise of other sectors—financials, health care, industrials and energy—was able to offset the effect of the plummeting tech, media and telecom stocks for six months. But it didn't last once it became clear that the wider economy was in trouble, in part because so much money had been lost when the dot-com bubble popped that investors cut back spending.

It is worrying that the tech sector's value reached 25% of the S&P's value last month for the first time since the deflation of the dot-coms. Yet in 2000, tech peaked at 35% of the S&P, and together with media and telecoms made up more than 40%. Even with tech companies in other sectors added in, today's tech stocks are a smaller proportion.

There have been plenty of smaller rotations between sectors that had little effect on the wider market. Biotechnology stocks—together valued at more than $1 trillion at their peak—quadrupled in the four years to 2015, before falling more than a third in a year, and the wider market barely noticed. But the S&P's tech sector alone is more than six times as big, and the wider **Nasdaq Composite** Index more than 10 times.

Big losses could pose a threat to the economy, as in 2000. The Federal Reserve hoped buying bonds would boost consumer spending via what economists call the "wealth effect," by increasing the value of investors' portfolios, but had mixed results. Perhaps a "loss-of-wealth" effect will be equally weak, but I suspect losses are a stronger influence on spending than gains.

One way to think of recessions is that they happen when assets have been misallocated on a large scale and can't be reallocated quickly enough to maintain growth. The same is true for bear markets, which are a painful way of reallocating what's left of investors' capital. We should hope that the premise for Amazon's valuation of 175 times this year's estimated earnings is not horribly mistaken.

For now, the rotation remains small, and it is not hard to imagine the tech damage eventually being limited to just a few company-specific problems. But if the highflying stocks that led the market up keep on falling, it will be hard to offset, particularly when doubts are already being voiced about global economic growth.

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THE WALL STREET JOURNAL.

Markets

Boom in Share Buybacks Renews Question of Who Wins From Tax Cuts; Large U.S. companies announced over $200 billion in repurchases in past three months

By Akane Otani, Richard Rubin and Theo Francis
1,228 words
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U.S. companies are buying back their shares at an aggressive pace , stirring questions in Washington and on Wall Street about the way that the new corporate tax cuts are being used.

Share buybacks announced by large U.S. companies have exceeded $200 billion in the past three months, more than double the prior year, according to a Wall Street Journal analysis of data for **S&P 500** companies.

Among the biggest: Cisco Systems Inc. at $25 billion, Wells Fargo & Co. at about $21 billion, PepsiCo Inc. at $15 billion, AbbVie Inc. and Amgen Inc. at $10 billion apiece, and Alphabet Inc. at $8.6 billion.

Announced buybacks surged in December and continued at a robust pace in January and February. Near the end of the year lawmakers in Washington finished writing a bill to cut U.S. taxes by $1.5 trillion over a decade. It was signed by President Donald Trump shortly before Christmas.

"Companies are feeling some pressure not to just spend their savings on buybacks," said Joseph Amato, president and chief investment officer for equities at Neuberger Berman Group LLC. "But at a time when we're already seeing double-digit earnings growth around the world, they can't hurt."

The tax overhaul cut the tax rate on large corporations from 35% to 21%. It also included a low one-time tax on profits stockpiled abroad to encourage companies to repatriate more than $2 trillion held in overseas subsidiaries , and it included incentives for investment.

The early moves are spurring a political debate about how companies are using the savings from the tax cut; the full answer won't be fully understood for months or years as the new money moves through the economy .

The corporate rate cuts, combined with investment incentives in the new law, are meant to boost business spending and broader economic growth, and increase wages over time. Some of the money is also being returned directly to investors in the form of bigger dividends and buybacks. And some companies have announced one-time bonuses for employees.

Kevin Hassett, chairman of Mr. Trump's Council of Economic Advisers, said at a White House briefing that the buyback boom is being driven by companies encouraged to repatriate funds from overseas.

Of the companies in the **S&P 500**, about 44% have said they plan to reinvest some portion of their tax gains into capital expenditures or wages, while 28% said they would use them to increase shareholder returns, Morgan Stanley found in an analysis of earnings transcripts. Its own analysts expect companies to spend about 43% of their savings on buybacks and dividends, and 30% on capital expenditures and labor.

Cisco last month said it would bring back $67 billion of its foreign cash holdings to the U.S. this quarter and would spend much of it on buybacks and dividends. Amgen added $10 billion to its buyback program and said it would also spend $300 million on a new U.S. manufacturing plant in response to the tax changes. Hewlett Packard Enterprise Co. said last week it would return $7 billion to shareholders through buybacks and dividends by the end of fiscal 2019, as well as increasing its match to employees' 401 (k) contributions. Chief Executive Antonio Neri cited the tax-law change related to offshore cash.

A surge in share repurchases could give the nearly nine-year **bull market** a boost at a time when many investors are concerned about how much longer it will last. By buying back shares, companies reduce the amount of shares held by the public and thus boost their per-share earnings, a metric followed closely by investors.

S&P 500 firms are on track to post their sixth consecutive quarter of earnings growth. If companies spend $500 billion—about a fifth of what they are estimated to hold in earnings overseas—on buybacks, per-share earnings in the **S&P 500** this year could go up an additional $3 a share, or 2 percentage points, according to an analysis by Goldman Sachs Group.

Still the practice is controversial on Wall Street. Some critics say companies are better off funneling cash into spending on research, upgrading equipment and raising employee wages.

Companies that buy back their shares don't always see their stocks outperform the broader market. The PowerShares BuyBack Achievers Portfolio, an exchange-traded fund that includes shares of companies that have reduced their number of shares outstanding by at least 5% over the past 12 months, has fallen 1.3% so far this year, trailing the **S&P 500**'s 0.2% advance. Last year, it rose 17%, while the **S&P 500** gained 19%.

It is a hot-button issue in Washington too . Democrats have pointed to buyback announcements as proof that the tax law's benefits are tilted to high-income households. Tens of millions of households have stock investments, but some 84% of stocks are held by the wealthiest 10% of households. By another measure, about a third of U.S. corporate stock is owned by foreigners.

Republicans have highlighted the one-time employee bonuses announced by dozens of large companies, typically around $1,000 for full-time employees, as evidence that tax cuts are reaching a broad base of Americans.

Trump administration officials have tallied more than four million Americans receiving bonuses or wage bumps. That would put the total value at a few billion dollars of income, well below announced buybacks.

Washington's buybacks vs. bonuses fight has been raging as the parties position themselves for the 2018 midterm elections.

House Minority Leader Nancy Pelosi (D., Calif.) has labeled bonuses "crumbs" compared with the size of the corporate tax cuts.

Treasury Secretary Steven Mnuchin said buybacks are helping the broader economy. "Even if people buy back stock, that is money that goes back into the economy that lets investors take that money and allocate it to other things. It's a complete system," Mr. Mnuchin said Tuesday at the U.S. Chamber of Commerce.

The long-run economic case for the corporate tax cut was that the rate reduction and incentives for business investment would give companies more reasons to invest in the U.S., because projects that didn't make financial sense would become profitable. Over time, those investments would increase worker productivity, accelerating pressure on companies to pay them more.

Economists across the political spectrum generally agree that such changes may happen, though they differ about the scale and pace of the change and how broadly the benefits are distributed.

"It's February, folks," said Douglas Holtz-Eakin, an economist and former Congressional Budget Office director who has advised Republican politicians. "Deep breath. It will take a little time."

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THE WALL STREET JOURNAL.

Economy
Fed Raises Rates and Signals Faster Pace in Coming Years; Vote to raise interest rates at the first meeting led by Jerome Powell was unanimous

By Nick Timiraos
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WASHINGTON—Federal Reserve officials signaled Wednesday they could pick up the pace of interest-rate increases to cool economic growth after next year.

The Fed voted unanimously to raise its benchmark federal-funds rate by a quarter-percentage point to a range between 1.5% and 1.75%. Officials said they expected to lift it another two or three times this year, and three times next year.

New forecasts show officials project faster economic growth, higher inflation and lower unemployment in coming years.

They indicated they expect they will need to tap on the monetary brakes, raising rates in 2020 to a level that would mark the first time in more than a decade that interest-rate policy was deliberately restrictive.

Fed Chairman Jerome Powell, in his first news conference as the central bank's chief, said officials want to balance two risks. One is that they raise rates too much, causing inflation to stay below their 2% target and damaging the Fed's credibility. The other is that they raise rates too slowly, letting the economy overheat and forcing them to move more quickly, triggering a recession.

"We're trying to take the middle ground, and the committee continues to believe that the middle ground consists of further gradual increases in the federal-funds rate," Mr. Powell said.

The rate increase approved Wednesday was widely expected. Before the Fed announcement, traders in futures markets already anticipated the Fed would raise rates a total of three times this year and placed a roughly 40% probability on at least four interest-rate increases this year, according to CME Group, an operator of future exchanges.

"The Fed delivered everything they've telegraphed: strong growth, a flat trajectory on inflation and a marginally steeper path of rates," said Ed Al-Hussainy, senior global rates strategist at Columbia Threadneedle Investments, an asset manager.

Stocks seesawed after the Fed's announcement and closed lower Wednesday. The **Dow Jones Industrial Average** closed down 44.96 points, or 0.2%, at 24682.31, after earlier rising as much as 250 points immediately following the Fed decision. The **S&P 500** declined 5.01 points, or 0.2%, to 2711.93, while the **Nasdaq Composite** fell 19.02 points, or 0.3%, to 7345.29.

Investors had been braced for a more aggressive position from the Fed in the near-term, Mr. Al-Hussainy said. The yield on the benchmark 10-year U.S. Treasury note climbed to 2.901% from 2.881% Tuesday. Bond yields rise as prices fall.

Before the meeting, investors' were eager to see how the Fed would react to the tax cuts and government-spending increase recently approved by Congress and President Donald Trump. Both are expected to boost economic growth.

Most Fed officials still expect to raise rates no more than three times this year. But more central bankers said they now anticipate increasing rates four times this year; seven of 15 penciled in four rate increases, up from four of 16 in December.

Most Fed officials expect to lift rates at least another three times in 2019, followed by another two times in 2020. At the December meeting, officials projected around two increases would be needed in both 2019 and 2020.

The projected moves would leave the fed-funds rate in a range between 3.25% and 3.5% by 2020. Such a level would be slightly restrictive of growth because it is nearly one half a percentage point above the level policy makers estimate would neither spur nor curb economic activity over the long run.

"Taken at face value, it's a signal there is a consensus that says, 'We might have to tighten too much,'" said Roberto Perli, an analyst at research firm Cornerstone Macro.

Fed officials now expect the unemployment rate to decline to 3.8% by the end of this year and to 3.6% by the end of 2019, from 4.1%, where it has held since October. That is almost a full point below the rate officials expect to prevail over the long run.

Wall Street economists expect the recent changes in tax policy and government spending will push unemployment even lower than the Fed has projected next year, to levels that haven't been seen since the Korean War. Economists said it is unclear what that could do to inflation or financial stability.

The Fed has a poor record of trying to cool the economy without triggering a recession.

"It's a risky thing to do, but they might feel they have to do it because this fiscal stimulus is coming at the wrong time," Mr. Perli said.

Mr. Powell said policy under the forecast laid out Wednesday would turn "modestly restrictive" by 2020. But he also played it down by pointing to the difficulty of forecasting that far into the future.

"You could imagine narratives in which that [forecast] would make sense, but honestly, I wouldn't put too much on that," he said.

Officials release economic projections every quarter. Their latest figures show they now expect inflation to rise above their 2% target next year and to stay there in 2020.

The fact that officials didn't revise their interest-rate path higher is significant, Mr. Perli said, because it shows officials will tolerate inflation that runs slightly above the target.

Inflation has firmed in recent months after a surprising downtick last year that defied the Fed's forecasts. Consumer prices rose 1.7% in January from a year earlier, according to the central bank's preferred inflation gauge. So-called core prices, which exclude **volatile** food and energy categories, rose 1.5%.

Mr. Powell has worked to stress policy continuity with his predecessor, Janet Yellen. He reinforced that theme during his first appearance before the news media.

Mr. Powell said he was considering concluding all eight of the Fed's annual meetings with news conferences, instead of the current practice of holding one at every other meeting.

The goal, he said, would be to improve the central bank's public communication. But he added he wouldn't want such a shift to be seen as implying a policy change. Under Ms. Yellen and her predecessor, the Fed only made major policy announcements at the meetings followed by news conferences.

Analysts praised Mr. Powell on his clipped, direct answers to questions. "He managed very well," said Michael Feroli, chief U.S. economist at JPMorgan Chase. "He was cautious. You didn't learn much, but he didn't make blunders and stayed out of minefields."

Mr. Perli said: "Investors have a notoriously short attention span, and he was crystal clear."

Write to Nick Timiraos at nick.timiraos@wsj.com

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Economy

Bostic: Trade Wars Aren't Easy and Winnable | Beige Book Finds Signs of Wage Gains | ECB Contends With Low Inflation, Trade Risks | BOC Holds Rates Steady | Timiraos's Take: What Fed Officials Are Watching in Friday's Jobs Report; The Wall Street Journal's central banking newsletter for Thursday, March 8, 2018

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What Fed Officials Are Watching in Friday's Jobs Report

Because the unemployment rate is already at or below the level Fed officials expect is sustainable over the long run, they are now looking at other gauges for signs of additional slack in labor markets.

This should place extra attention on measures of labor-force participation and the employment-to-population ratio, particularly for workers between 25 and 54 years old, in Friday's employment report from the Labor Department.

Fed officials in December said they expect the unemployment rate, at 4.1% in January, to fall as low as 3.6% this year.

What might convince officials there is more room to run?

First, look for any sign of a step back from the brisk pace of wage gains reported in January. The 2.9% annual increase in hourly earnings in the January employment report helped trigger market **volatility** in early February because it fanned fears of a pickup in inflation and interest rates. Wages of nonsupervisory workers rose just 2.4% in January, a sign the gains weren't widespread.

"We don't see any strong evidence yet of a decisive move up in wages," said Fed Chairman Jerome Powell at a Senate committee hearing last week.

Second, watch for a lift in workforce participation and the employment-population ratio. This could signal there are more workers out of the labor force who are being drawn into jobs. The prime-age workforce participation rate is still a full percentage point below where it was before the 2007-09 recession.

Mr. Powell pointed to this as one place "where it looks like there may be additional slack in the labor force."

Finally, while joblessness is at a 17-year low, a broader measure of underemployment--one that counts people actively seeking work, those who aren't consistently looking and those who have part-time jobs but desire full-time work--remains slightly higher than the low of 7.9% set during the 2001-07 expansion or the 6.8% low reached in 2000.

Conversely, officials could conclude there is less slack if the unemployment rate continues to decline, wages rise and labor-force participation drops further in the coming months.

Key Developments Around the World

Fed's Bostic Says Trade Wars Aren't Easy and Winnable

By Michael S. Derby

FORT LAUDERDALE, Fla.—Federal Reserve Bank of Atlanta President Raphael Bostic warned Wednesday that erecting trade barriers is unlikely to help the U.S. economy, while noting the threat of these restrictions is adding uncertainty to the central bank's interest-rate-rise outlook.

Asked if a trade war with other nations would be easy and winnable, as President Donald Trump has said, Mr. Bostic answered, "No."

Protectionism "is often not helpful for the broader economy," and while trade barriers might lift an individual sector, they will cause more problems than the policy solves, Mr. Bostic said at an event in Fort Lauderdale. Also, "it introduces a lot of uncertainty in how the economy will perform," he said. The policy maker said **financial markets** are likely to reflect that uncertainty, although he didn't say how.

Other Fed leaders, like William Dudley of the New York Fed, in recent days have cautioned against putting up new trade barriers. Mr. Trump is moving to place tariffs on steel and aluminum imports that many economists say are a bad idea, and other nations are already weighing retaliatory actions.

Mr. Bostic is a voting member of the interest-rate-setting Federal Open Market Committee.

He spoke as expectations are rising that the Fed might pursue a more aggressive path of interest-rate increases this year. The most recent central bank forecasts call for about three rate raises in 2018, but a move toward more stimulative government tax and spending policies when the economy is already performing well may drive the central bank to increase rates more.

Speaking with reporters after his speech, Mr. Bostic said that he had been expecting three rate increases this year in the wake of the change in government spending and taxation policies. But the president's trade threats are clouding the outlook and adding a negative risk.

"It's really hard to know how things will evolve" in the current climate, Mr. Bostic said.

"Some of the developments with trade policy have introduced some uncertainty on how the economy is going to perform," he said. Because of that, "I'm really taking a wait-and-see attitude about how robustly the economy responds to the stimulus, before I make a decision whether we want to revise our expectations upward or downward," Mr. Bostic said.

But he also said "everything's on the table" for monetary policy, and what happens will be driven by how the economy performs. Mr. Bostic added that he makes his decisions on rates at each meeting, and he doesn't form his view on an annual basis.

Mr. Bostic also told reporters the exit of Gary Cohn, President Trump's top economic adviser, will have an "impact" in part because his was a voice that Wall Street found "comfort" in hearing.

Speaking before the gathering, Mr. Bostic noted that most of the run up in the **stock market** that happened after the 2016 election was psychological in nature and not driven by fundamental factors like the economy's performance. He also said President Trump was good at managing the psychology of his supporters.

In a speech Tuesday night in New York, Fed Governor Lael Brainard said the current state of the economy "is the mirror image of the environment we confronted a couple of years ago." She said that "in the earlier period, strong headwinds sapped the momentum of the recovery and weighed down the path of policy. Today, with headwinds shifting to tailwinds, the reverse could be true."

While inflation remains low, officials are increasingly confident that a strong job market and the boost from the shift in fiscal policy will push inflation back up to the Fed's 2% target, and that is boosting officials' confidence that they can raise rates.

Fed's Beige Book Finds Evidence of Wage Gains

By Sharon Nunn and Sarah Chaney

WASHINGTON—Employers across the U.S. said wage growth picked up since the beginning of the year, according to a Federal Reserve report released Wednesday, signaling the tight labor market may be forcing employers to beef up paychecks to compete for workers.

In many of the Fed's 12 regional districts, wage growth picked up to a moderate pace, the Fed reported in its latest roundup of anecdotal information about regional economic conditions known as the beige book. The report was based on information collected through Feb. 26.

Employment grew at a moderate pace compared with recent months, a sign the economy may have more labor market slack to pick up. Still, companies across the country reported continued worker shortages, particularly in the construction, information technology and manufacturing sectors.

Businesses in almost all parts of the country saw employers raise wages and expand benefit offerings to attract workers. Manufacturing companies in the Boston district, for example, reported higher starting salaries and longer waits to fill open positions. A few bankers in the Cleveland district expect to raise minimum pay to $15 per hour within the next two years.

The Trump administration's recent tax reform is also encouraging firms to increase pay, with some districts reporting modest increases in compensation following the tax bill's passage. One large retailer in the Boston district said it planned to pass along half of its savings from the corporate tax cut to some workers by raising wages. In the Minneapolis district, federal tax reform led to a number of one-time bonuses.

A stronger-than-expected jobs report released in early February raised the specter of ramped up wage growth, and by extension, heightened inflation. This sent stocks tumbling in the market's worst bout of **volatility** in years. The beige book's reported wage growth mimics that February jobs report.

Meanwhile, the report also suggested ramped up price growth was occurring, with most districts noting moderate inflation after some previously described price growth as "modest." Overall economic activity expanded at a modest to moderate pace across the districts in January and February.

In recent weeks, Fed officials have said the economy's growth prospects have strengthened in the past few months, and the Fed's beige book report supports that case. The heightened prospects indicate the central bank is on track to keep gradually lifting short-term interest rates and perhaps even pick up the pace this year if inflation flares to a level the Fed considers unhealthy for the economy.

The price index for personal-consumption expenditures, the Federal Reserve's preferred inflation measure, advanced 1.7% from a year earlier in January. The annual gain was the same as recorded in December and November. The Fed has set an annual target of 2% inflation, but has struggled to hit it in recent years.

The unemployment rate in January remained parked at a 17-year low of 4.1%, and the U.S. in 2017 notched its strongest year of economic growth in three years. The Trump administration's recent tax overhaul could add further juice to an economy that's already showing strength.

"We've seen continuing strength in the labor market. We've seen some data that will, in my case, add some confidence to my view that inflation is moving up to target. We've also seen continued strength around the globe, and we've seen fiscal policy become more stimulative," Fed Chairman Jerome Powell told the House Financial Services Committee last week in an answer to a question about what could cause the Fed to raise rates more than three times this year.

ECB Contends With Low Inflation, Trade Risks as It Weighs Stimulus Exit

By Tom Fairless

Three years after launching its giant bond-buying program, the European Central Bank is considering how to phase it out. Economic growth in the region hit 2.5% last year, the fastest pace in a decade, and unemployment is falling, lessening the need for stimulus.

But important risks remain. Inflation has been sluggish, Italy's national election has left a cloud of uncertainty over the eurozone's third-largest economy, and U.S. President Donald Trump has raised the prospect of global trade wars. **Financial markets** have been skittish in recent weeks, as investors worry about a policy reversal from central banks.

ECB officials will weigh these risks—and study new staff economic forecasts—at a meeting Thursday as they consider how quickly to phase out bond buying and start raising interest rates. ECB President Mario Draghi will discuss the results of their deliberations at a press conference at 8:30 a.m. EST, following the release of a policy statement at 7:45 a.m. EST. Here are five topics likely to come up:

The End of QE

The ECB might take a baby step toward ending its bond-buying program, known as quantitative easing, on Thursday by dropping a pledge to accelerate its bond purchases again if the economy deteriorates. The purchases are currently due to run at €30 billion ($37.1 billion) a month at least through September. With **financial markets volatile** and the euro currency rising, however, many analysts think the ECB will delay any such move until April. Inflation is a concern: It slipped in February to 1.2% on the year, a 14-month low.

Trade Wars

Mr. Trump's proposal to place tariffs on aluminum and steel imports, and perhaps even German cars, has raised the prospect of a global trade war. The European Union this week threatened to retaliate. Any upsurge in protectionism could hurt the eurozone's export-heavy economy and force the ECB to delay its exit from QE. Mr. Draghi hit back strongly in January at comments by U.S. Treasury Secretary Steven Mnuchin that weakened the dollar against the euro. He might issue a similarly strong warning on trade.

Latvian Litigation

Reporters will have their first chance to quiz Mr. Draghi about recent banking scandals in Latvia, one of the eurozone's newest members. Ilmars Rimšēvičs, the country's central bank governor, was arrested last month as part of a criminal investigation into whether he extorted bribes. He denies wrongdoing, but has been suspended from attending meetings of the ECB in Frankfurt. Mr. Draghi is also likely to be questioned about the collapse last month of Latvia's third-biggest lender, ABLV Bank, which is directly supervised by the ECB. The bank, which denies wrongdoing, is being liquidated after coming under pressure when the U.S. Treasury warned it had engaged in systemic money laundering.

Italian Politics

Sunday's inconclusive election boosted populist parties in Italy but failed to produce a clear victor. Silvio Berlusconi, a former prime minister whose center-right coalition was among the winners, has suggested he would like Mr. Draghi to take a senior role in government. The ECB chief could be asked about that prospect—his term ends in 19 months—as well as about the risks of instability in his home country.

Market **Volatility**

Financial markets have grown unsettled since the ECB's last policy meeting on Jan. 25, reflecting investor concerns that central banks will withdraw easy money more quickly as growth and inflation pick up. Mr. Draghi told European lawmakers last week that the bout of **volatility** should be closely monitored. Investors will listen for clues as to whether the turbulence might slow the ECB's exit from stimulus.

ECB Doesn't Object to Luis de Guindos Becoming Vice President

By Tom Fairless

FRANKFURT—European Central Bank policy makers said Wednesday they have no objection to the appointment of Spanish Finance Minister Luis de Guindos as the ECB's No. 2 official.

Eurozone finance ministers in February agreed to nominate Mr. de Guindos as vice president of the Frankfurt-based ECB after his only rival for the role, Irish central bank Gov. Phillip Lane, withdrew from the race. Some European lawmakers subsequently expressed reservations about appointing a serving politician to the politically independent ECB.

The ECB and European Parliament have been asked to give their opinions on the appointment, but they have no veto over the decision, which is in the hands of European Union governments.

The ECB's rate-setting committee, meeting this week in Frankfurt, said Mr. de Guindos "is a person of recognized standing and professional experience in monetary or banking matters," the qualifications required by EU treaties.

"The Governing Council had no objection to the proposed candidate," the ECB said.

Bank of Canada Holds Rates Steady as U.S. Tariff Plan Weighs on Outlook

By Kim Mackrael

OTTAWA—The Bank of Canada on Wednesday left its benchmark interest rate unchanged and ramped up its warnings over trade after the U.S. last week announced plans for global tariffs on steel and aluminum.

The decision to keep the benchmark interest rate at 1.25% was widely anticipated by economists, with many saying that worries over Canada's trade ties with the U.S. reinforced their expectations that the central bank wouldn't make any policy changes. U.S. President Donald Trump last week pledged to impose tariffs on steel and aluminum imports, a move he later connected to continuing efforts to renegotiate the terms of the North American Free Trade Agreement.

"In the United States, new government spending and previously announced tax cuts are anticipated to boost growth in 2018 and 2019," the central bank's governing council said in a statement that didn't explicitly mention Nafta or the proposed U.S. tariffs. "However, trade policy developments are an important and growing source of uncertainty for the global and Canadian outlooks."

Bank of Nova Scotia economist Derek Holt said the central bank's warning on trade uncertainty used stronger language than earlier statements, when the central bank said Nafta concerns were clouding the economic outlook.

Canada sends roughly three-quarters of its exports to the U.S., representing 20% of total economic output, so any disruption in trade between the two countries could have a significant impact on the Canadian economy.

The rate decision comes amid a series of discouraging economic data in recent weeks: January's trade report, released by Statistics Canada on Wednesday, revealed a sharp drop in both exports and imports in January, with export volumes plunging 3.6% for the biggest decline in four years. The Canadian economy lost a net 88,000 jobs in January, and a Statistics Canada survey released last week suggested business investment could slow considerably this year. Economic growth in the fourth quarter also came in weaker than anticipated.

"Cooling growth left little reason for central bankers to rush another rate hike, but U.S. steel and aluminum tariffs sealed the deal," CIBC World Markets economist Royce Mendes said after the rate decision was released. He said CIBC anticipates just one more interest rate increase in 2018.

The Bank of Canada has raised its key rate three times since mid-2017, most recently in January. On Wednesday, it said that while the economic outlook is expected to warrant higher interest rates over time, some continued monetary policy accommodation likely will be needed.

The governing council "will remain cautious in considering future policy adjustments, guided by incoming data in assessing the economy's sensitivity to interest rates, the evolution of economic capacity, and the dynamics of both wage growth and inflation," the central bank said in its statement.

Royal Bank of Canada economist Josh Nye said it is unlikely that proposed U.S. tariffs alone would change the central bank's thinking. "But if tit-for-tat measures escalate into a full-blown trade war—and to be clear, we aren't nearly there yet—the [Bank of Canada] would have to rethink their tightening bias," he said.

The central bank said Wednesday that Canada's economy grew 3% in 2017, matching its earlier projection, but noted that growth in the fourth quarter was slower than anticipated. Some of the weakness in the quarter was due to higher imports, the bank said, which mainly reflected stronger business investment.

It said some housing demand appears to have been pulled forward in late 2017, before new mortgage-financing rules came into effect.

Inflation is running close to the Bank of Canada's 2% target, it said, while measures of underlying inflation have edged up, suggesting the economy is operating near capacity. The central bank said inflation data is fluctuating because of temporary factors linked to gasoline, electricity and recent changes to minimum-wage laws in some regions of the country.

The Bank of Canada's next interest-rate decision is scheduled for April 18.

Turkish Central Bank Keeps Interest Rates on Hold

By Yeliz Candemir

ISTANBUL—Turkey's central bank Wednesday kept all interest rates steady amid double-digit inflation and it said further monetary tightening would be implemented if needed.

The central bank kept the late-liquidity lending rate at 12.75%—the highest of the key interest rates it uses to adjust monetary policy.

The Monetary Policy Committee in Ankara kept the one-week repo rate at 8%. It held the overnight lending rate at 9.25% and maintained the overnight borrowing rate at 7.25%.

The bank had been expected to keep all rates steady, according to a survey by The Wall Street Journal.

After the decision was announced, the Turkish lira was trading at 3.8028 against the dollar, compared with 3.7994 before the announcement.

Thursday

7:45 a.m. EST

European Central Bank releases policy statement

8:30 a.m. EST

ECB's Draghi holds press conference in Frankfurt

3:50 p.m. EST

Bank of Canada's Lane gives economic progress report in Vancouver, British Columbia

Friday

3:30 a.m. EST

ECB's Coeuré speaks

3:45 a.m. EST

ECB's Lautenschläger speaks

11:30 a.m. EST

Boston Fed's Rosengren speaks

12:45 p.m. EST

Chicago Fed's Evans speaks

Economic Growth, **Volatility** and Their Interaction: What's the role of finance?

Sergio Henrique Rodrigues da Silva, Benjamin Miranda Tabak, Daniel Oliveira Cajueiro and Dimas Mateus Fazio study the relationship between financial development and economic growth and its **volatility**. They find in a Central Bank of Brazil working paper that "at moderate levels of financial development, further deepening increases the ratio of average growth to **volatility**, a clearly positive result, since the country would obtain a higher and more stable growth rate." But as "financial development increases, "this relation reverts, so that the rise in **volatility** overcomes that of economic growth. From this point on, the potential increment in growth would be followed by greater instability," they write.

The Fed's New Focus Is Changing Market Relationships

"Since the financial crisis, the Federal Reserve has been consistent in its message that monetary policy is data-dependent. The problem is policy makers have never been too specific in defining which metrics matter most. Although this gives them flexibility, policy often seemed to be more influenced by financial stability than by the dual mandate of high employment and low inflation, as outlined by former Fed Chairman Ben S. Bernanke. Any sudden plunge in markets would be met with assurances from Fed officials. Lately, however, the focus seems to have shifted to inflation, which is changing several relationships in markets... Inflation expectations went from not mattering from 2010 to 2014 to mattering a great deal in 2017 and 2018," Jim Bianco writes for

Bloomberg View. "This increased focus on inflation has altered the relationship between stocks and bonds...In other words, stock and bond prices moved in opposition to each other...This has major implications for trading themes that have existed in the post-crisis period. For one, the risk-on/risk-off trade no longer exists with stock and bond prices moving in unison. In a similar vein, a common portfolio made up of 60 percent stocks and 40 percent bonds will no longer reduce volatility during turbulent times. Furthermore, any risk parity strategy that is based on the relationship between asset classes in the post-crisis period will suffer."

The Trade Deficit Trump Wants to Fix May Only Worsen

"President Donald Trump hates the trade deficit. He will probably have an even bigger one to hate in the year ahead," Justin Lahart writes for The Wall Street Journal. "The tax cut and spending plans they helped usher in are likely to raise demand for goods and services among both consumers and companies this year. Some of those goods and services are going to come from abroad, so imports will rise."

The trade deficit widened further in early 2018, a deteriorating backdrop to President Donald Trump's ramped-up efforts to close the gap with the help of tariffs. The U.S. trade gap in goods and services expanded 5.0% from the prior month to a seasonally adjusted $56.60 billion in January, the Commerce Department said Wednesday. It was the fifth straight month of a rising deficit, reaching its highest level in more than nine years.

The European Union on Wednesday urged President Donald Trump to rethink his planned steel and aluminum tariffs, challenging U.S. national security claims and threatening to strike back unless the White House reverses course.

Australia's trade balance recovered to record a healthy surplus in January on the back of a bounce in exports, fanning expectations of stronger GDP growth in the opening months of the year.

China's exports surged unexpectedly in February, further widening its global trade surplus at a time when the Trump administration has put a special focus on the U.S. trade deficit with Beijing.

Japan's economy grew at a much faster pace than initially estimated in the October-December quarter, as companies accelerated their capital spending on the back of an improved global economic outlook.

Moody's Investors Service cut Turkey's sovereign ratings further into junk territory, citing the continued loss of institutional strength and the increased risk of an external shock.

Send us your tips, suggestions and feedback. Write to:

Jon Hilsenrath; Katy Burne; Michael Derby; Nell Henderson; Jason Douglas; Paul Hannon; Harriet Torry; Kate Davidson; David Harrison; Kim Mackrael; Tom Fairless; Michael Maloney.

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WSJ PRO CENTRAL BANKING

Economy

U.S. Household Net Worth Pushes Further Into Record Territory; Household wealth rose more than $2 trillion in the fourth quarter with help from rising stock and home prices

By Harriet Torry
688 words
8 March 2018
05:16 PM
WSJ Pro Central Banking
RSTPROCB
English

Americans' wealth pushed further into record territory in the final quarter of last year, hitting nearly $100 trillion thanks to rising stock markets and property prices.

Household net worth—the value of all assets such as stocks and real estate minus liabilities like mortgage and credit-card debt—rose more than $2 trillion last quarter to a record $98.746 trillion.

U.S. households also saw their net worth rise to nearly seven times their disposable personal income in 2017, swelling past earlier prerecession peaks.

The ratio of wealth to income is "at pretty dizzying levels right now," JPMorgan Chase economist Michael Feroli said.

What's more, the rate at which Americans are saving is "a little worrying," he said. The saving rate was 3.74% for 2017, down from 5.98% a year earlier and 7.19% in 2015.

Previous busts—in the early and late 2000s—were preceded by periods of rising asset values and low saving, and the current wealth-to-income level surpasses that seen in the run-up to earlier recessions.

Household wealth hit a level of just over six times disposable income in the first quarter of 2000, a year before the economy tipped into recession when a tech-stock bubble burst. Wealth touched 651.8% of disposable income in the first quarter of 2006, less than two years before the souring housing boom triggered a recession that began in December 2007.

However, household debt hasn't run up as fast in this cycle as it did in the 2000s, and stock valuations aren't as high this cycle as in the 1990s stock boom.

Thursday's report underscored the extent to which rising stock and real-estate prices are boosting household wealth, as the current economic expansion nears its ninth anniversary.

Stocks had a banner year in 2017, with the **S&P 500** rising 19% and the **Dow Jones Industrial Average** gaining 25%. Household wealth in the **stock market** climbed by $1.346 trillion in the fourth quarter.

Meanwhile, the value of households' real estate increased $511.2 billion, reflecting continuing increases in home prices. U.S. house prices rose 1.6% in the fourth quarter, according to the Federal Housing Finance Agency's house price index, and rose 6.7% on the year.

In addition to the buffer from home equity, households also have $9.272 trillion in deposits, which include checking and savings accounts and certificates of deposit.

The quarterly Fed report, known as the flow of funds, presents its data only in aggregate, providing no details on how assets are distributed among households. It tracks the aggregate wealth of all U.S. households and nonprofit organizations, although nonprofits make up a relatively small proportion of household wealth. The figures aren't adjusted for inflation.

Separate data from the Fed suggests the gap between the wealthy and others has continued to widen in recent years. The share of wealth held by the top 1% rose to 39% in 2016, up from 30% in 1989, according to the Fed's survey of consumer finances, which is conducted every three years.

Household debts rose at an annual rate of 5.2% in the fourth quarter, with liabilities increasing by $208.6 billion. Borrowing has continued to climb even as the Fed has been gradually raising short-term interest rates, making mortgages, home-equity lines and other loans more expensive.

The central bank nudged its benchmark interest rate a quarter percentage point higher three times in 2017, to its current range between 1.25% and 1.5%.

Fed Chairman Jerome Powell in February said that "if you look at the financial-stability situation broadly, we do see some high asset prices."

"What we don't see is the buildup of leverage among households," he said in testimony to Congress, adding "the financial-stability picture shows at most modest risk."

Write to Harriet Torry at harriet.torry@wsj.com

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THE WALL STREET JOURNAL.
U.S. EDITION

Facebook Options Get Thumb's Up

By Gunjan Banerji
453 words
22 March 2018
The Wall Street Journal
J
B13
English

The tumble in Facebook Inc.'s shares has triggered frenzied trading of the company's options, including contracts that pay out if the stock falls more than 30% or regains most of its losses.

The social-media company's shares rose 0.7%, to $169.39, Wednesday but have slumped 8.5% this week after reports that the data of up to 50 million users was transferred to an analytics firm tied to President Donald Trump's campaign.

Options volume has remained elevated all week. On Tuesday, volume of Facebook options was the second busiest ever, according to data provider Trade Alert. And some investors appeared to be girding for a **volatile** move in the stock.

Among the most popular options changing hands Tuesday were **bearish** put contracts expiring in April. Puts give holders the right, but not the obligation, to sell the shares at a certain price. Traders can tap options to make bets on which direction they think a stock will move or to hedge portfolios.

The "strike prices" for the options -- the levels at which the contracts can be exercised -- were $115 and $120. That means Facebook shares would have to plunge 32% and 29%, respectively, from where they closed Wednesday for the options to pay out. Facebook's shares haven't traded at those levels since about December 2016.

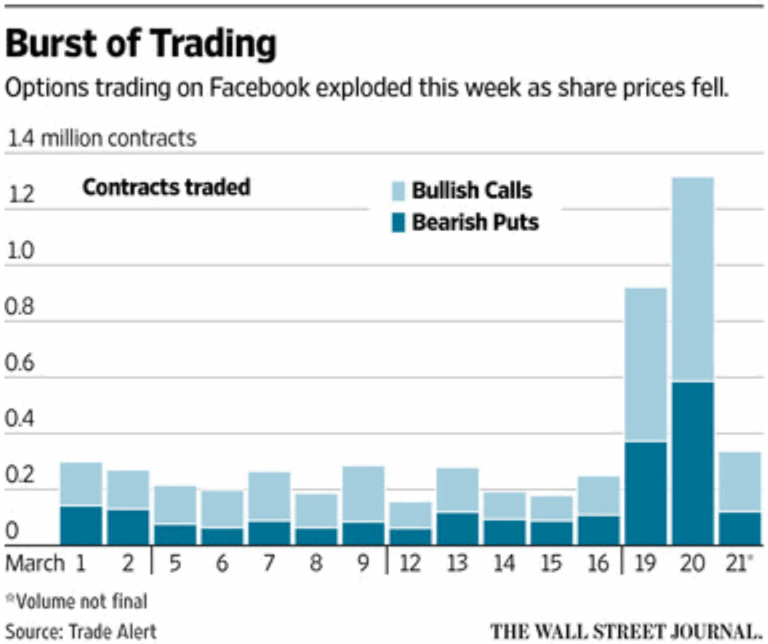
"They're most likely purchasing puts to protect themselves on the downside," said Mary Ryan, a Chicago-based senior options strategist at E*Trade Financial Corp. But some options investors may be positioning for a reversal, she said.

The news about Facebook sent its shares on their worst two-day drop in more than two years, a sharp turnaround for the company, which has vastly outperformed the **S&P 500** in recent years.

Also popular among Facebook options were **bullish** call options that pay out if the stock bounces to above $180, near where the stock was trading before this week, Trade Alert data show. A call option gives the holder the right to buy the shares at a set price.

JPMorgan Chase & Co. analysts recommended a **bullish** options trade in a note Wednesday. "Clarity on the Cambridge issue and Facebook's willingness to self-regulate are likely near-term catalysts that may reduce investor fears, stabilize the stock and position it for a recovery into first-quarter results," JPMorgan analysts wrote.

Facebook options tend to be heavily traded, landing it on a list of the top 10 most-active options in 2017, alongside contracts on the **S&P 500** and Apple Inc., according to a January report from research firm Tabb Group.



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THE WALL STREET JOURNAL.
U.S. EDITION

Gold Gets Bearish Signal From Stocks --- Some investors worry as mining shares alter their usual pattern with the metal's price

By Amrith Ramkumar
752 words
29 March 2018
The Wall Street Journal
J
B12
English

Shares of gold miners have fared worse than the precious metal itself over the past year -- a development that is fueling concern about bullion's ability to keep climbing.

Gold is up 1.4% so far this year, outpacing the **S&P 500**, which is down 2.6%, and the NYSE Arca Gold Miners Index, which has fallen 7%. The divergence between gold and companies that mine it became particularly pronounced starting in late January, when stocks in other sectors attracted more interest from investors. Among the largest producers, Barrick Gold Corp. has fallen 12% year to date.

Typically, gold-mining stocks tend to be more **volatile** than gold itself. But that usually occurs in a different fashion: Miners tend to experience outsize losses when the gold price is falling and typically overshoot when prices rally.

The current deviation from that trend is a worrying development for investors who are **bullish** on gold, as it suggests metal prices might not keep rising as interest rates increase.

It also is concerning **bullish** investors that gold, a haven during market turbulence, is struggling despite recent stock slides on worries about trade disruptions and a decline in long-term bond yields.

While both should be positive for gold, prices fell 1.3% to $1,324.20 a troy ounce Wednesday in a second straight session of declines. That creates uncertainty about gold's ability to sustain this year's gains.

"As soon as angst leaves the market on something like trade or geopolitical tensions, then gold begins to accommodate the fact that we're in a tightening cycle," said James Steel, chief precious metals analyst at HSBC.

Higher interest rates tend to buoy Treasury yields and make gold less attractive by comparison. The dollar has been rebounding, which has cooled some optimism for gold bugs, analysts said. A stronger dollar makes commodities denominated in the currency more expensive for overseas buyers.

Gold miners have underperformed despite a strong fourth-quarter earnings season and upbeat 2018 projections. One reason is that some of the companies still aren't generating as much cash as miners of other metals such as copper, analysts said.

In 2017, gold prices had their best year since 2010, allowing many miners to repair their balance sheets. Barrick Gold, the world's largest producer, said it paid down $1.5 billion in debt, exceeding its target, while Newmont Mining Corp. reported an 8% rise in production from a year earlier.

But the companies still haven't caught up in free cash flow relative to market value, a commonly used metric for evaluating performance, according to Citigroup research.

"It takes some momentum to get people to come back to a sector that has been beaten as badly as mining has," said Matt Badiali, research analyst at investment research firm Banyan Hill Publishing.

Mr. Badiali said he spoke at a convention in Toronto this month, pointing out that gold miners are cheap following a yearslong slump.

"This crowd was so mad," a sign that sentiment needs to improve before the sector's outlook can brighten, he said.

Sentiment for gold miners has been negative, while investors have largely remained positive on the broader **stock market** and been drawn to other commodities, from cobalt to oil. "Speculative money has other places to go," Mr. Badiali said.

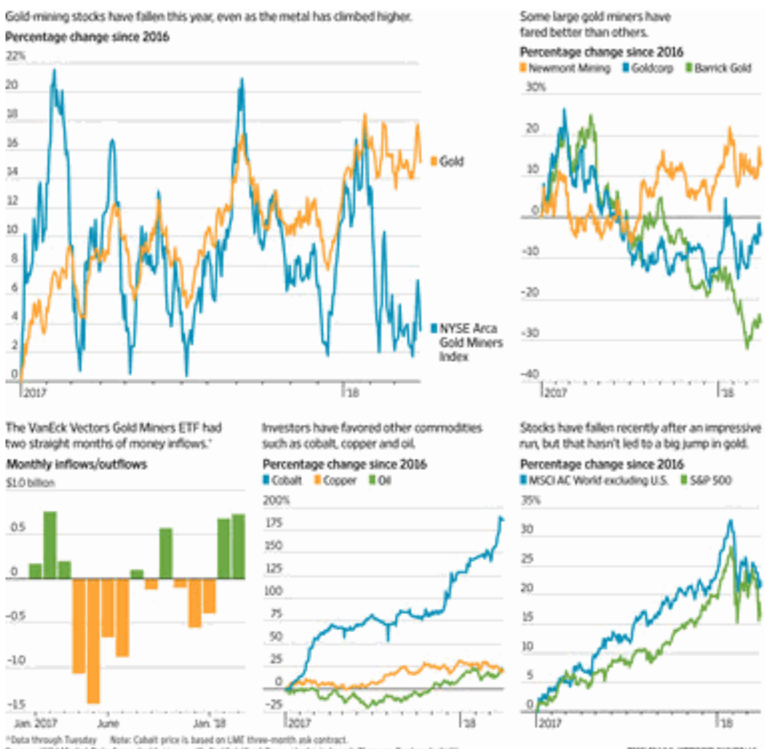
Still, some think gold's climb will continue as money managers seek hedges against inflation and market swings, eventually leading to better performance by the beaten-down miners of the yellow metal.

Gold futures are still 30% below their 2011 all-time highs even after a 14% gain last year, and the VanEck Vectors Gold Miners ETF is almost 70% below its 2011 record.

Bouts of **volatility** have boosted the exchange-traded fund, which recorded inflows in six straight sessions through Tuesday. And some select gold miners such as Newmont, which is up 13% since the start of last year, have attracted investor interest by demonstrating future production will be steady.

But others think the gold-mining sector will have to demonstrate more consistency to close the gap on gold.

"It's in a very tough spot," said Mark Stoeckle, CEO and senior portfolio manager of Adams Funds. "What some people are doing is assuming that because [mining stocks are] beaten up, they will come back -- not necessarily."



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THE WALL STREET JOURNAL.
U.S. EDITION

Fed Signals More Aggressive Path --- U.S. central bank lifts benchmark rate and expects at least two more moves this year

By Nick Timiraos
891 words
22 March 2018
The Wall Street Journal
J
A1
English

WASHINGTON -- Federal Reserve officials signaled Wednesday they could pick up the pace of interest-rate increases to cool economic growth after next year.

The Fed voted unanimously to raise its benchmark federal-funds rate by a quarter-percentage point to a range between 1.5% and 1.75%. Officials said they expected to lift it another two or three times this year, and three times in 2019.

New forecasts show officials project faster economic growth, higher inflation and lower unemployment in coming years. They indicated they expect they will need to tap on the monetary brakes, raising rates in 2020 to a level that would mark the first time in more than a decade that interest-rate policy was deliberately restrictive.

Fed Chairman Jerome Powell, in his first news conference as the central bank's chief, said officials want to balance two risks. One is that they raise rates too much, causing inflation to stay below their 2% target and damaging the Fed's credibility. The other is that they raise rates too slowly, letting the economy overheat and forcing them to move more quickly, triggering a recession.

"We're trying to take the middle ground, and the committee continues to believe that the middle ground consists of further gradual increases in the federal-funds rate," Mr. Powell said.

The rate increase approved Wednesday was widely expected. Before the Fed announcement, traders in futures markets already anticipated the Fed would raise rates a total of three times this year and placed a roughly 40% probability on at least four interest-rate increases this year, according to CME Group, an operator of futures exchanges.

"The Fed delivered everything they've telegraphed: strong growth, a flat trajectory on inflation and a marginally steeper path of rates," said Ed Al-Hussainy, senior global rates strategist at Columbia Threadneedle Investments, an asset manager.

Stocks seesawed after the Fed's announcement and closed lower Wednesday.

The **Dow Jones Industrial Average** closed down 44.96 points, or 0.2%, at 24682.31, after earlier rising as much as 250 points immediately following the Fed decision. The **S&P 500** declined 5.01 points, or 0.2%, to 2711.93, while the **Nasdaq Composite** fell 19.02 points, or 0.3%, to 7345.29.

Investors had been braced for a more aggressive position from the Fed in the near term, Mr. Al-Hussainy said. The yield on the benchmark 10-year U.S. Treasury note climbed to 2.901% from 2.881% Tuesday. Bond yields rise as prices fall.

Before the meeting, investors' were eager to see how the Fed would react to the tax cuts and government-spending increase recently approved by Congress and President Donald Trump. Both are expected to boost economic growth.

Most Fed officials still expect to raise rates no more than three times this year. But more central bankers said they now anticipate increasing rates four times this year; seven of 15 penciled in four rate increases, up from four of 16 in December.

Most Fed officials expect to lift rates at least another three times in 2019, followed by another two times in 2020. At the December meeting, officials projected around two increases would be needed in both 2019 and 2020.

The projected moves would leave the fed-funds rate in a range between 3.25% and 3.5% by 2020. Such a level would be slightly restrictive of growth because it is nearly one half a percentage point above the level policy makers estimate would neither spur nor curb economic activity over the long run.

"Taken at face value, it's a signal there is a consensus that says, 'We might have to tighten too much,'" said Roberto Perli, an analyst at research firm Cornerstone Macro.

Fed officials now expect the unemployment rate to decline to 3.8% by the end of this year and to 3.6% by the end of 2019, from 4.1%, where it has held since October. That is almost a full point below the rate officials expect to prevail over the long run.

Wall Street economists expect the recent changes in tax policy and government spending will push unemployment even lower than the Fed has projected next year, to levels that haven't been seen since the Korean War. Economists said it is unclear what that could do to inflation or financial stability.

The Fed has a poor record of trying to cool the economy without triggering a recession.

"It's a risky thing to do, but they might feel they have to do it because this fiscal stimulus is coming at the wrong time," Mr. Perli said.

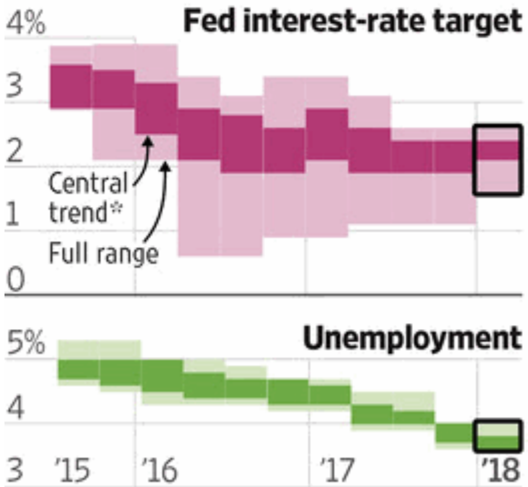
Mr. Powell said policy under the forecast laid out Wednesday would turn "modestly restrictive" by 2020. But he also played it down by pointing to the difficulty of forecasting that far into the future.

"You could imagine narratives in which that [forecast] would make sense, but honestly, I wouldn't put too much on that," he said.

Officials release economic projections every quarter. Their latest figures show they now expect inflation to rise above their 2% target next year and to stay there in 2020.

Step Up

How Fed projections for the end of 2018 evolved



*Excludes the three highest and lowest

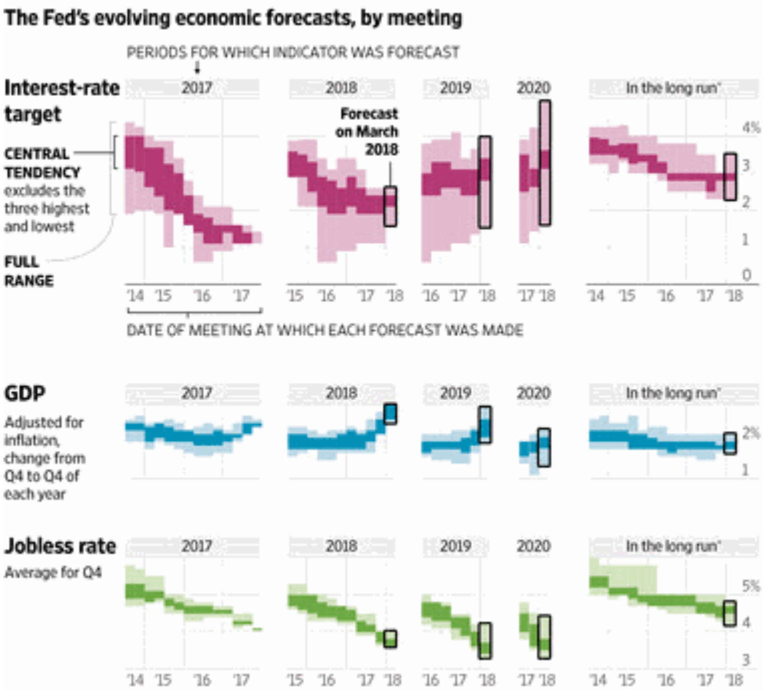
Note: Unemployment is seasonally adjusted

Source: Federal Reserve via Federal Reserve Bank of St. Louis

THE WALL STREET JOURNAL.

Rosier Outlook

Fed officials see higher interest rates, faster economic growth and lower unemployment in the next few years than they did in their December projections.



*Long-run projections represent an assessment of where the indicator is expected to end up 'under appropriate monetary policy and in the absence of further shocks to the economy.'
Notes: GDP and unemployment are seasonally adjusted; rate-target forecasts prior to June 2015 are interpolated from dot-plot figures.
Source: Federal Reserve via Federal Reserve Bank of St. Louis
THE WALL STREET JOURNAL.

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WSJ PRO CENTRAL BANKING

Economy

Brainard Sees Rate Increases as Appropriate | Kaplan: Should Get Started on Rate Increases ‘Soon' | Cohn Resigns | BOJ to Keep Mum on Exit | Timiraos's Take: Fiscal Stimulus Resolved the Fed's Inflation Conundrum; The Wall Street Journal's central banking newsletter for Wednesday, March 7, 2018

8,037 words
7 March 2018
08:34 AM
WSJ Pro Central Banking
RSTPROCB
English

Timiraos's Take: Fiscal Stimulus Resolved the Fed's Inflation Conundrum

Fed's Brainard Sees Rate Increases as Appropriate as Inflation Firms

Fed's Kaplan: Central Bank Should Get Started on Rate Increases ‘Soon'--CNBC

Gary Cohn Resigns as White House Economic Adviser After Losing Tariffs Fight

Bank of Japan to Keep Mum on Exit Details

Fiscal Stimulus Resolved the Fed's Inflation Conundrum

Federal Reserve governor Lael Brainard's speech Tuesday night illustrates how an unprecedented fiscal policy experiment could make the Fed's debate over the path of interest rates a little smoother this year—and a lot trickier after that.

Ms. Brainard had been one of the most articulate advocates for going slower to raise interest rates in the face of puzzlingly low inflation, including after last spring's surprising slowdown in consumer price pressures.

But on Tuesday she signaled those concerns had faded—not because the Fed's understanding of inflation has improved but because Washington has approved two big bursts of stimulus, first in December with a tax cut worth at least $1.5 trillion over a decade and later in February with a surprisingly large $300 billion, two-year increase in federal spending.

By moving closer to the center of the Fed's policy committee, Ms. Brainard illustrates how officials have grown far more confident about continuing with their gradual rate increases—either three or four quarter-point moves this year, including the Mar. 20-21 meeting.

This isn't to say more dovish Fed officials are done worrying about soft spots in the economy. Ms. Brainard called attention to the share of workers aged to 25 to 54 who are employed, which remains 1 percentage point below the level that prevailed before the financial crisis in 2008.

But she also placed more attention on upside risks in her speech, including an economy that overheats from financial imbalances and not just inflation. "We do not have extensive experience with an economy at very low unemployment rates and cannot be sure how it might evolve," she said.

If the Fed's 2018 policy path looks like it might have less of the tension between hawks and doves that existed last year, the path after this year looks more complicated.

The two-year government funding deal provides an especially large demand boost in 2019, when it is likely the unemployment rate will have fallen even farther below the level most officials expect is sustainable over the long run.

What happens, for example, if the unemployment rate drops further this year without signs that displaced workers continue to return to the labor market?

Ms. Brainard's remarks illustrate how Fed officials' debate may shift from how much to raise rates this year to how long to keep raising rates in coming years.

Key Developments Around the World

Fed's Brainard Sees Rate Increases as Appropriate as Inflation Firms

By David Harrison

Federal Reserve governor Lael Brainard said Tuesday she has become more confident inflation will hit the central bank's target, allowing officials to continue raising interest rates gradually.

She also sounded more upbeat about the economic outlook, saying factors that held back the U.S. economy in recent years have reversed and now are offering a boost, in a speech in New York.

Today's economy "is the mirror image of the environment we confronted a couple of years ago," Ms. Brainard said. "In the earlier period, strong headwinds sapped the momentum of the recovery and weighed down the path of policy. Today, with headwinds shifting to tailwinds, the reverse could be true."

Ms. Brainard's mention of headwinds turning into tailwinds echoed language in Fed Chairman Jerome Powell's testimony to Congress last week, in which he expressed optimism about the economy's path.

Fed officials in December penciled in three quarter-percentage-point increases in their benchmark interest rate this year. The first move is likely coming at the March 20-21 meeting.

But the strong economy and Mr. Powell's congressional testimony have raised expectations that officials could add a fourth rate increase. The Fed last raised its benchmark federal-funds rate in December to a range between 1.25% and 1.5%.

Asked in a question-and-answer session after the speech about the potential for four rate increases this year, Ms. Brainard said that "we could see risks develop in either direction," which could result in changes to the path of rate raises.

Ms. Brainard in recent years was one of the Fed's most vocal advocates for patience in raising interest rates, noting that inflation remained subdued despite a strong labor market. Inflation has undershot the Fed's 2% target for much of the past five years.

On Tuesday, Ms. Brainard struck a more upbeat tone and suggested a booming labor market could generate stronger inflation.

"With greater confidence in achieving the inflation target, continued gradual increases in the federal-funds rate are likely to be appropriate," she said.

"Although last year we faced a disconnect between the continued strengthening in the labor market and the step-down in inflation, mounting tailwinds at a time of full employment and above-trend growth tip the balance of considerations in my view."

In particular, Ms. Brainard said recently enacted fiscal policy such as tax cuts and spending increases could boost economic growth. She also cited a stronger global outlook, a weaker dollar, higher **oil prices**, higher capital spending and financial conditions that continue to support growth.

Those factors could help pin inflation expectations around the Fed's 2% target, she said. Inflation could even exceed 2% temporarily in the next year or two, she added.

Ms. Brainard also said the Fed will need to make sure the improved outlook doesn't lead to the formation of new asset bubbles. For now, she said, the financial system faces only "moderate" risks because households aren't borrowing excessively and banks have enough capital on hand.

"History suggests, however, that a booming economy can lead to a relaxation in lending standards, and the attendant excessive borrowing can complicate the task of monetary policy," she said. "We will need to be vigilant."

Fed's Kaplan: Central Bank Should Get Started on Rate Increases ‘Soon'--CNBC

By Kate Davidson

Federal Reserve Bank of Dallas President Robert Kaplan said Tuesday he still expects the U.S. central bank to raise interest rates three times in 2018, but said officials should get started "soon."

In an interview with CNBC, Mr. Kaplan said the labor market appears to be at or beyond "full employment" already, and officials see the jobless rate falling below 4% in 2018. That should put some upward pressure on wages and create more jobs, but Mr. Kaplan warned, "the history of overshooting full employment in the United States and having a soft landing, it's not a long history."

Raising the Fed's benchmark federal-funds rate soon "will give us the best chance to extend this expansion for longer," he said.

Fed officials in December penciled in three quarter-percentage point interest rate increases in 2018, and Mr. Kaplan said he still expects three increases this year.

"I think we should get started sooner rather than later though, and we'll see as the year unfolds whether the base case should stay at three or it should be something more or something less," he said. "But for now I'd say three and I think we should get started soon."

The Fed's policy-setting committee will meet again on March 20-21, when markets expect officials will raise the fed-funds rate to a range between 1.5% and 1.75%.

Mr. Kaplan also suggested he wasn't overly worried about the Trump administration's recently announced plans to impose high tariffs on steel and aluminum imports.

Asked to weigh in on the tariff proposal, Mr. Kaplan said he didn't want to jump to conclusions about what might actually happen. He said he is concerned the announcement could have "some chilling effect" on ongoing trade negotiations with Mexico and Canada, but added, "It's so clearly in the interests of the United States to have a strong trading relationship with both of those countries, I'd be optimistic about how this actually gets implemented."

Mr. Kaplan said the recent trade discussion "probably won't" change his economic forecast. In an essay last month he said he expects the economy to grow strongly over the next year or two, prompting the Fed to raise interest rates "gradually and patiently."

He is concerned, however, that recent tax legislation and a new budget agreement boosting federal spending may turn out to be "a stimulus funded by increasing the debt," which might only give the economy a small boost over the next two years while increasing the country's leverage, he said.

"I think that leverage at the government level and the future path of debt could become a headwind for economic growth in the United States," he said.

Gary Cohn Resigns as White House Economic Adviser After Losing Tariffs Fight

By Nick Timiraos, Peter Nicholas and Liz Hoffman

Gary Cohn will resign from the White House after 14 months serving as President Donald Trump's top economic adviser, he said Tuesday, days after Mr. Trump surprised his senior staff by announcing steel and aluminum tariffs that Mr. Cohn had opposed.

During his time at the White House, Mr. Cohn oversaw a major revamp of the U.S. tax code and pushed a significant rewrite of financial rules. But the former Goldman Sachs Group Inc . executive stumbled in an uphill and monthslong fight to sway Mr. Trump against the tariffs. He was also on the losing side of an effort to prevent the U.S. withdrawal last year from the Paris climate accord, and will leave having made little progress advancing a $1 trillion infrastructure program.

Financial markets have seesawed in recent weeks, first on the prospect that higher federal budget deficits approved by Mr. Trump might boost inflation and interest rates and more recently because of his desire to start a "trade war."

Mr. Cohn's departure could further rattle investors. Though not universally well liked on Wall Street, Mr. Cohn was widely admired for his market savvy and his pro-trade world view, which many traders and executives share. The dollar slumped, and futures in the **Dow Jones Industrial Average** were down about 300 points, or 1.2%, late Tuesday.

Mr. Cohn said it had been an honor to serve in the administration as director of the National Economic Council and thanked the president in a statement. Mr. Trump praised Mr. Cohn's "superb job" as his economics adviser and called him a "rare talent."

The White House staff has seen numerous departures over the past year. A study by the Brookings Institution in January showed turnover in Mr. Trump's White House surpassed that of the previous five presidents' first year in office.

Since the study was published, Communications Director Hope Hicks, Staff Secretary Rob Porter and communications adviser Josh Raffel have also resigned, among others.

Mr. Cohn was part of a globalist wing of the White House that lately has been in retreat. Peter Navarro, another adviser who helped craft the president's protectionist stance in the campaign, prevailed in a high-profile fight over new tariffs on aluminum and steel imports. Mr. Cohn had fought internally to stave off the move and told aides last week he might resign if the president followed through and imposed the tariffs.

"I don't think he suddenly lost an argument. He just never won it," said Joshua Bolten , who served as chief of staff to President George W. Bush from 2006 to 2009. "He's done a very effective job through rational argumentation and maybe through bureaucratic maneuvering in staving off the day of reckoning."

As recently as early this week, Mr. Cohn still seemed to be fighting the decision, trying to put together a meeting among industry executives whose companies could be hurt by the tariffs. That meeting, which had been expected to happen later this week, was no longer being planned following Mr. Cohn's resignation, a White House official said.

Another White House official said in an interview Tuesday that Mr. Cohn had always intended to stay for about a year. This person said that Mr. Cohn wasn't resigning because of frustration or disappointment over Mr. Trump's decision to impose steel and aluminum tariffs.

Mr. Cohn wound up staying two months longer than he had anticipated because the president asked him to help with the State of the Union speech and a trip to a global economic conference in Davos, Switzerland, the official said.

Mr. Cohn, though, was unhappy about the "process" by which Mr. Trump last week announced that he would be imposing steel and aluminum tariffs, the official said.

This person described the process as one in which White House proponents of the tariffs, on their own, slipped into the president's office "at 6 o'clock at night" last Wednesday, then called steel and aluminum CEOS two hours later and invited them to a meeting the next morning, telling them the president would sign an executive order imposing the taxes even though no such order was ready.

"There is extreme frustration when the process breaks down," the official said. In this instance, the official said, the White House "nationalists hijacked the process."

One Wall Street executive who kept in contact with Mr. Cohn said a rotating group of colleagues and friends took turns urging him to stay. Some of these people said Mr. Cohn's departure hinted at the limits of trying to hem in Mr. Trump's desire to take more dramatic actions on trade.

On Tuesday, Treasury Secretary Steven Mnuchin told lawmakers that the administration wasn't looking to get into a trade war. Later in the afternoon, Mr. Trump said, "trade wars aren't so bad."

The departure will put pressure on other advisers, especially Mr. Mnuchin, to make the case for preserving the post-World War II trade architecture the U.S. helped construct and for speaking credibly to **financial markets**.

"More than anyone else in the White House, Cohn had credibility with the markets," said Ian Katz, a financial policy analyst at Capital Alpha Partners in Washington. "If we go several days without news of a replacement, investors could get edgy."

The National Economic Council job post doesn't require Senate confirmation. An administration official said those being considered to succeed Mr. Cohn include Andy Puzder, a fast-food executive who withdrew his labor secretary nomination after domestic-abuse allegations from an ex-wife surfaced. Mr. Puzder has denied the claims.

The official said others who could be considered include CNBC commentator and former Trump campaign adviser Lawrence Kudlow; Council of Economic Advisers Chairman Kevin Hassett ; and Mr. Navarro.

With Mr. Cohn's departure, several Goldman alumni who joined the administration last year will have left.

"Gary Cohn deserves credit for serving his country in a first class way," Goldman Sachs CEO Lloyd Blankfein tweeted Tuesday afternoon. "I'm sure I join many others who are disappointed to see him leave." Mr. Cohn had spent 26 years at Goldman was once seen as the likely successor to Mr. Blankfein.

Mr. Cohn grew up in Cleveland, where his first job was selling window frames and aluminum siding. He later traded silver on Wall Street and took a pay cut to join Goldman's commodities arm. He became a partner in 1994.

He has stayed long enough in the White House to keep tax-deferred treatment on more than $250 million in Goldman stock.

Early on, Mr. Trump enjoyed introducing Mr. Cohn as a former Goldman executive who gave up a lucrative career to work for him. In a Wall Street Journal interview in July, Mr. Trump mused about installing Mr. Cohn as the next chairman of the Federal Reserve.

But that nomination never happened. Mr. Cohn criticized Mr. Trump's response to the racially charged violence in Charlottesville, Va., and found himself isolated.

Mr. Cohn found his way back into Mr. Trump's good graces last fall by shepherding the president's tax cut package through Congress, delivering the president his signature legislative accomplishment.

Mr. Cohn performed so favorably that the president discussed with friends as recently as last month whether to install him as chief of staff, even though Mr. Cohn is a registered Democrat.

—Rebecca Ballhaus contributed to this article.

Big Banks Get a Big Win in Senate Rollback Bill

By Andrew Ackerman

WASHINGTON—Bipartisan legislation expected to clear the Senate as early as this week has just one provision that is set to directly benefit the nation's megabanks: a section aimed at making it easier for them to buy state and local bonds.

The provision, championed by Citigroup Inc . and other large banks, would ease a new rule aimed at ensuring banks can raise enough cash during a **financial-market** meltdown to fund their operations for 30 days, requiring them to hold more cash or securities that are easily salable.

Under federal banking rules approved in 2014, those "high quality liquid assets" included cash, Treasury bonds and corporate debt—but not municipal debt. Banks historically like to hold municipal bonds because of their safety and tax advantages.

The Senate on Tuesday voted 67-32 to formally begin debate on the bill, which primarily benefits small and medium-size banks, easily reaching the 60 votes needed and signaling that the measure has enough support from Democrats to pass by a comfortable margin. The legislation was backed by 16 Democrats and one independent, Maine Sen. Angus King, bucking Massachusetts Sen. Elizabeth Warren and 31 other Democrats who opposed the procedural vote.

Including the municipal-bond provision in the deregulatory bill was a priority for the nation's biggest banks that buy a lot of municipal securities as investments. A Citi lobbyist recently told a Senate staffer that the firm would be pleased if easing the treatment of municipal debt under the bank-funding rule was the one thing it could accomplish during the current Congress, according to a person familiar with the conversation.

State and local officials have praised the move, saying their securities could suffer if banks begin to shun them.

A Citi spokesman said the bond provision "is supported by a wide array of groups focused on helping cities and states address critical infrastructure needs."

While the provision is a victory for Citi, the biggest U.S. banks haven't lobbied extensively on the Senate bill, according to congressional aides. Big firms have spent billions to comply with a gamut of postcrisis rules and generally aren't eager to tear them down.

Analysts have said changing the rule for municipal products would be a mistake because it would erode the core of a bank-safety rule put in place after the 2010 Dodd-Frank law. While municipal securities have relatively low default rates, they are traded thinly and shouldn't count as liquid assets, critics say.

"It's an outrageously bad idea," said Phillip Swagel, a professor at the University of Maryland who served in the George W. Bush Treasury, characterizing the provision as an implicit federal guarantee of the municipal market. In the next crisis, banks will have trouble selling their municipal securities, freezing up the market for them and requiring the government to step in to backstop it, he predicted.

While lawmakers agreed to include the municipal debt measure, they rebuffed Citi and JPMorgan Chase & Co . efforts to water down a separate postcrisis capital requirement known as the supplementary leverage ratio. That regulation effectively restricts banks from making too many loans without adding new capital, forcing firms to maintain a proportion of capital to fund their assets—including loans, investments and even the collateral clients post on derivatives transactions.

The legislation includes a provision to diminish the leverage ratio in a way that lawmakers say would only benefit financial institutions primarily engaged in "custody services," in which they hold assets on behalf of other banks. Citi and JPMorgan , global banks that don't fit the definition but still offer custody services, have argued it is unfair to carve out certain banks from the provision and not others.

"As Congress has sought to make a common sense change to the way capital rules treat custody assets, we have asked that they apply that change to all custody banks to maintain a level playing field in this important business," a Citi spokesman said.

Senate aides said lawmakers crafted a delicate compromise that can pass the chamber and don't want to broaden the bill with more provisions helping big banks—which became a target of criticism during the crisis—and risk having the bill fail. "That is not happening," said one Senate Democratic aide.

Federal Reserve Chairman Jerome Powell said on Feb. 27 that the Fed would prefer that Congress allow regulators to rewrite the leverage ratio rule. Instead, the bill directs regulators to exclude certain assets from the calculation of the leverage ratio for custody banks such as Bank of New York Mellon Corp . and State Street Corp .

—Ryan Tracy contributed to this article.

Bank of Japan to Keep Mum on Exit Details

By Megumi Fujikawa

TOKYO—The Bank of Japan isn't likely to outline its conditions for winding down its aggressive monetary easing measures in the near future, despite Gov. Haruhiko Kuroda 's recent willingness to talk about a time frame for considering an exit.

The central bank is widely expected to leave policy on hold when it meets Thursday and Friday, but will keep mum on the meatier details of how it might pull back from its easing measures, despite calls from investors and politicians to explain its exit strategy.

The reluctance to unveil any conditions or scenarios for exiting easing measures stems from concern over causing confusion or sparking sharp market movements, according to people familiar with the bank's thinking.

The central bank got another taste of how sensitive markets are to any sign of a move toward the door when Mr. Kuroda said Friday that the bank would likely consider a departure from its easing policy in the fiscal year starting April 2019.

The mention of the time frame was enough to nearly double the yield on 10-year Japanese government bonds and bump up the yen against the dollar.

Mr. Kuroda on Tuesday said the remark didn't necessarily mean the bank would start winding down its easing policy next year. He was giving testimony in a parliamentary hearing over his nomination for a second term. His nominated deputies, Masayoshi Amamiya and Masazumi Wakatabe, have also given testimonies.

The central bank governor's remark was seen as an attempt to reel in speculation that he was paving the way for the BOJ to wind down its massive monetary stimulus program.

Still, the BOJ will largely leave market participants to reach their own conclusions about when it will exit from its ultra-easy policy or when it might raise interest rates, provided no sharp market reactions take place, the people said.

Some economists expect the bank to consider raising its target for the 10-year JGB yield—currently set at 0%—if the so-called core-core inflation, which excludes **volatile** fresh food and energy prices, hits 1%—halfway toward the bank's goal. Core-core inflation rose to 0.4% in January.

Other analysts have said the bank might conduct another comprehensive assessment of its measures before adjusting policy, but Mr. Kuroda has previously said that an assessment wasn't under consideration.

The denial suggests he doesn't see a major flaw in the program and that rate adjustments could happen without publishing such a report, some of the people said.

Once momentum toward 2% inflation is assured, the bank said it could raise rates before inflation reaches the target, because its policy commitment focuses on keeping monetary conditions loose, rather than on any specific rate levels.

But another factor that might delay a presentation of an exit strategy is a lack of consensus among policy setters at the bank about how best to define "momentum" toward 2% inflation, some of the people said.

The bank is expected at this week's meeting to maintain its 0% yield target on 10-year JGBs and its minus 0.1% rate on some deposits held by commercial banks at the central bank.

Bank of Canada Expected to Stand Pat Amid Trade Uncertainty

By Kim Mackrael

OTTAWA—The growing uncertainty over Canada's trade ties with the U.S. is reinforcing expectations that the Bank of Canada will hold its benchmark interest rate steady in its policy announcement Wednesday.

Economists from 10 of the 11 primary dealers of Canadian government securities told The Wall Street Journal they anticipate the Bank of Canada will keep the key rate at 1.25% this week. While many expect at least two interest-rate increases later in the year, several acknowledged their forecasts could be in doubt if trade relations worsen.

The 11th primary dealer, HSBC Canada , didn't participate in the survey.

Wednesday's rate decision comes less than a week after U.S. President Donald Trump announced plans for global tariffs on steel and aluminum, blindsiding Canadian officials and stoking fears of a possible trade war. Meanwhile, efforts to renegotiate the North American Free Trade Agreement , or Nafta, have made limited progress. Canada sends about three quarters of its exports to the U.S., so any disruption in trade flows between the two countries would have a significant impact on the Canadian economy.

BMO Capital Markets is one of several firms forecasting two more rate increases later this year. "Given what's unfolding in trade, there's a clear risk there might actually be less than that," chief economist Doug Porter said. "I'm not too worried about the upside, I'm more worried about the downside to the rate call at this point."

After raising the key rate by a quarter percentage point in January—the third such increase since mid-2017—the central bank said Canada's economic outlook likely would warrant higher interest rates over time. However, it said it would take a cautious approach to increases, citing uncertainty over Nafta and worries about soaring household debt.

Canada's economic outlook has faced several setbacks since then. A series of strong employment reports came to an end with January's jobs data, which saw the economy drop a net 88,000 jobs. Canada's gross domestic product came in below market expectations in the fourth quarter, and a Statistics Canada survey released last week suggests business investment could slow considerably this year, led by a pullback in the country's energy sector.

"At risk is the Bank of Canada 's story that we had cause to be more optimistic because we were seeing the rotation away from excess reliance on the household sector and towards more encouraging evidence on the export and investment side of the picture," Bank of Nova Scotia economist Derek Holt said.

He said he doesn't expect much additional guidance from the central bank during its announcement this week.

"There's so much uncertainty hanging in the air that I think [the central bank] will want to make this one largely a maintenance statement and not rock the boat too much in either direction," Mr. Holt said.

This week marks the first time the Bank of Canada will provide an update on the country's economic outlook after issuing an interest-rate decision that isn't accompanied by a monetary policy report. Bank of Canada deputy governor Timothy Lane will deliver an economic progress report in a speech in Vancouver, British Columbia, on Thursday.

BOE's Haldane Slams Central-Bank Speak, Promises to Listen

By Paul Hannon

Much of what central bankers say and write is incomprehensible to most people, a practice that undermines public trust in policy makers, the Bank of England's chief economist said Tuesday.

Andy Haldane was speaking at an event hosted by the Royal Society for the Encouragement of Arts, Manufactures and Commerce, or RSA, following the publication of its report on building more public engagement in economic policy-making.

The report found that just a fifth of Britons feel they have any influence on the economic policies set by the government or the BOE.

Mr. Haldane highlighted language as a key obstacle to greater public engagement, accusing central bankers of using "the tribal language of technocracy."

He noted that 70 years ago, BOE officials made just one speech a year, and the central bank's total communication with the public amounted to fewer than 5,000 words. Last year, that stood at 4.5 million words.

However, he said they weren't well chosen, estimating that 95% would have been "inaccessible" to 95% of the British population.

"Imagine speaking 4½ million words and more than 4¼ million of them falling on deaf ears?" he said. "When someone says to me ‘spoken like a true central banker,' they come to bury Andy not praise him."

Mr. Haldane said the BOE is changing its approach to communication, recently employing a "layered" approach that includes simple graphics to communicate the main messages from its quarterly report on the outlook for the economy.

He also said the BOE would implement an RSA recommendation to set up a series of "regional citizens councils."

"The aim is to establish, in a structured, systematic and comprehensive way, a two-way dialogue and collaboration between the bank and a panel of citizen representatives on the economy, financial system and policy, as a means of enhancing the understanding of both parties," Mr. Haldane said.

Australia's Central Bank Chief Sees Economy Moving in Right Direction

By James Glynn

SYDNEY—Global investors should be confident that Australia is on track for higher economic growth and rising inflation, albeit gradually, Reserve Bank of Australia Gov. Philip Lowe said Wednesday.

In a speech to a business conference, Mr. Lowe said the best contribution the RBA can make to ensuring Australia attracts foreign investment is consistent macroeconomic conditions.

"Investors should have confidence that, over time, [consumer-price index] inflation in Australia will average between 2 and 3 percent. They can expect some variation from year to year, but over the medium term the average inflation rate will be 2 point something," he said.

"Our assessment is that the economy is moving in the right direction. We expect stronger growth in 2018 than in 2017 and a further reduction in the unemployment rate. We also expect inflation to increase a little from its current low rate," Mr. Lowe said.

With the economy moving in the right direction, and interest rates still quite low, "it is likely that the next move in interest rates in Australia will be up, not down," he added.

The comments come after the RBA left its cash rate at a record low 1.5% Tuesday. It was the 19th month in a row with no change in interest rates, with economists expecting the period of inactivity to stretch into 2019.

Bank Indonesia Managing Rupiah to Reflect Fundamentals

By I Made Sentana

JAKARTA, Indonesia—Indonesia's central bank said Wednesday that it would try to keep the rupiah in line with the country's improving economic fundamentals.

"Bank Indonesia is consistently and cautiously responding to the current (fluctuation) in the rupiah's exchange rate to maintain macroeconomic stability," Gov. Agus Martowardojo said.

The rupiah has fallen 1.5% against the U.S. dollar so far this year, as investors have bought the dollar amid expectations of further tightening by the Federal Reserve. President Donald Trump's recent trade-war rhetoric has also unnerved investors.

The Indonesian currency was recently at 13,763 to the dollar, its lowest level since Jan. 29, 2016, according to Bank Indonesia 's exchange-rate guidance.

Mr. Martowardojo said Indonesia's economy should be able to weather the current shift in the global economy given improving fundamentals, with inflation easing, the current-account deficit narrowing, foreign-exchange reserves rising and a healthy budget.

He added that the central bank will continue to sell dollars in the domestic currency market to limit **volatility**.

Separately, senior deputy governor Mirza Adityaswara indicated that the central bank doesn't currently plan to raise interest rates to defend the rupiah.

Bank Indonesia left the benchmark 7-day reverse repo rate unchanged at 4.25% last month.

Japan-based Rating and Investment Information on Wednesday raised its rating on Indonesia's creditworthiness to BBB from BBB-, citing the economy's growing resilience to external shocks.

Malaysian Central Bank Stands Pat on Benchmark Rate

By Yantoultra Ngui

KUALA LUMPUR, Malaysia—Malaysia's central bank kept interest rates unchanged on Wednesday.

The move was expected by economists after data released last week showed the country's inflation fell to its lowest point since December 2016. Malaysia's consumer-price index in January rose at a weaker-than-expected pace of 2.7% from a year earlier as growth in transportation costs weakened.

All 11 economists surveyed by The Wall Street Journal expected Bank Negara Malaysia to hold its overnight policy rate, or OPR, at 3.25%. The bank raised the OPR by a quarter of a percentage point in January.

"At the current level of the OPR, the degree of monetary accommodativeness is consistent with the policy stance to ensure that the domestic economy continues on a steady growth path amid lower inflation," Bank Negara Malaysia said in a statement.

The stand-pat decision signals that a softening of inflation, continued local-currency strength and a coming general election have led Bank Negara Malaysia to stay put for the moment.

Another increase just ahead of the election, due by August, would be unpopular with voters who would have a costlier household debt burden. Malaysia's household debt is among the highest in Asia.

A possible global trade war following the U.S.'s plan to impose tariffs on imported steel and aluminum might negatively impact trade-dependent Malaysia, despite the release of data on Monday showing that January's export growth picked up faster than expected. Strong exports helped Malaysia's economy to grow by 5.9% in 2017.

Bank Negara Malaysia acknowledged the trade tensions but said "at this point, risks to the global growth outlook remain balanced, pointing towards continuity in global economic expansion."

For Malaysia, the bank said growth prospects will be sustained by the positive global growth outlook and spillovers from the external sector to the domestic economy.

"With additional impetus from the external sector, growth is expected to remain strong in 2018," it added.

Bank Negara Malaysia also said inflation was projected to average lower in 2018, on expectations of a smaller effect from global cost factors. A stronger ringgit exchange rate compared with 2017 will mitigate import costs, it added.

The Malaysian government projected inflation to slow to between 2.5% and 3.5% this year from 3.7% in 2017. The ringgit has been one of Asia's best-performing currencies this year, rising 3.5% year-to-date.

Central Banks' Gender Balance Deteriorates

By Jason Douglas

The number of women in senior roles at central banks has fallen over the past year, according to a new report that highlights the yawning gender gap at the world's monetary authorities.

A gender balance index for central banks compiled by the Official Monetary and Financial Institutions Forum, a London-based think tank, fell to 19% in 2018, from 31% a year earlier.

The index measures the number of men and women in top roles at central banks, weighted for factors including seniority and the size of the central banks' economies. A score of 100% would indicate that those roles are shared equally between the sexes.

The decline in the index largely reflects the departure of a handful of women in the uppermost echelons of global central banking—particularly that of Janet Yellen from the top job at the U.S. Federal Reserve in February, OMFIF said.

Just 11 of 173 institutions surveyed were headed by a woman at the end of 2017, including the central banks of Russia, Ecuador and Cyprus.

At the Fed, one woman, Lael Brainard, holds a seat on the seven-member Fed board of governors, which has four vacant slots. Two of 12 regional Fed bank presidents are female.

The findings will make uncomfortable reading for central banks, many of which are under growing political pressure to better reflect the citizens of the economies they serve. Critics say the lack of diversity also leaves central banks vulnerable to groupthink, risking policy errors.

OMFIF's report also looked at gender balance at sovereign-wealth funds and European public pension funds. Sovereign funds fared worse than central banks, with a score of 12%, while the pension funds managed 40%.

Quick Hits

ECB's Easing Bias ‘at Odds' With Buoyant Conditions: Fitch Ratings

The European Central Bank 's easing bias appears to be out of sync with the economic backdrop. In particular, the ECB's commitment to increase asset purchases in terms of size and/or duration if needed "sits at odds with current buoyant conditions," says Brian Coulton, chief economist at Fitch Ratings . The ratings firm expects that strong eurozone growth momentum and greater confidence by the ECB that underlying inflation will pick up over the forecast horizon will necessitate modest changes to its language, Mr. Coulton says.

—Emese Bartha

Doves to Beat Hawks in Eurotower Rumble

It might sound like the preview for a major sporting event, but central-bank fans know what's at stake. At the European Central Bank 's meeting Thursday, the doves will "hold off" the hawks, resulting in the bank leaving its guidance unchanged, Berenberg writes in a note. "For the rest of the year, we believe the ECB is likely to normalize its monetary stance via further baby steps," says Berenberg. It expects quantitative easing to be cut to €15 billion ($18.5 billion) a month from €30 billion in October, before being ended in December. The first increase to the refinancing rate will be in June next year, Berenberg says.

—Todd Buell

ECB Rate Rise Before 2nd Half 2019 Would Be Surprise: J.P. Morgan AM

The European Central Bank is likely to end its quantitative-easing program this year, but it won't rush to raise interest rates, says Mike Bell of J.P. Morgan Asset Management in a note Tuesday. "We would be surprised to see core eurozone inflation rise anywhere near to target by the end of this year. As a result, while the ECB are likely to end QE this year, we don't think they will be in any rush to raise interest rates," he says. "We would be surprised to see a rate hike from the ECB before the second half of 2019."

—Todd Buell

Swiss National Bank Seen on Hold Until Early 2020: Capital Economics

Switzerland's very subdued inflation rate should keep the Swiss National Bank 's policies unchanged until early 2020, say analysts at Capital Economics. Annual Swiss inflation was 0.6% last month, and core inflation was 0.5%. "Worryingly for the SNB, the inflation rate for domestically-produced goods was again unchanged at +0.3%, suggesting that the renewed strength of the economy in the second half of 2017 has not yet put upward pressure on domestic prices," the analysts wrote. The SNB meets next week and is widely expected to keep its deposit rate at minus 0.75%.

—Brian Blackstone

SNB Unlikely to Intervene if EUR/CHF Above 1.14, Says Commerzbank

As long as EUR/CHF stays above 1.14 the Swiss National Bank "sees no need to actively weaken the [Swiss] franc," according to Commerzbank , adding that "this is indicated by the foreign exchange reserves, which have hardly risen since EUR/CHF has been trading steadily above 1.14," which is end of August last year. Still, "of course, we cannot rule out that the SNB does still actively influence the exchange rate from time to time," Commerzbank says. February data on Switzerland's exchange reserves are due Wednesday.

—Olga Cotaga

Norway Oil Fund's Ethical Investing Principles Yield Lower Returns

Norway's sovereign-wealth fund, the world's largest such fund, has seen lower returns than it otherwise would due to its ethical investing principles, it said in a report on risk and return published Tuesday. Norges Bank Investment Management , the arm of the central bank that manages the so-called oil fund, said that over the last 12 years its equity investments have returned 1.6 percentage points less as a result of excluding companies that don't meet its ethical guidelines. The $1 trillion fund doesn't invest in companies that produce tobacco or weapons, or those that contribute to serious human rights violations. It also has been pulling out of companies that threaten severe environmental damage through unacceptable greenhouse gas emissions. A recent addition to its guidelines has seen it stop investing in mining companies and power producers that derive 30% or more of their revenue from thermal coal. In 2017, the fund returned 19.4% on its equity investments, contributing to a total annual return including other investments of 1.03 trillion Norwegian kroner ($131.8 billion), the highest return in krone terms it has ever recorded.

—Dominic Chopping

New Record for RBA Inactivity Should Last a While

Seventeen policy meetings and 19 months have passed (Australia's central bank doesn't meet in January) since interest rates were last changed in Australia, equaling the record set in the mid-1990s. It could be at least 20 more years before the soon-to-occur new record is broken as the Reserve Bank of Australia won't be moving for a while yet. Shane Oliver, chief economist at AMP Capital, says the probability is increasing that the central bank won't start raising rates until sometime in 2019 as uncertainty around consumer spending remains high, wage growth and inflation are still low, and the Aussie dollar is arguably too strong.

—James Glynn

Food to Help Cool India's CPI for Now

Standard Chartered sees India's consumer-price index on pace to come in below the central bank's 5.1% target for this quarter, thanks to falling food prices. The firm doesn't see the central bank making any rate changes—up or down—in the about-to-start fiscal year as the country's growth recovery is still nascent. But StanChart does admit that a spike in **oil prices**, an expansion in the coverage of state-purchase prices for more crops or a sharper-than-expected growth recovery may pose risks to that rate call.

—Debiprasad Nayak

Wednesday

8 a.m. EST

Atlanta Fed 's Bostic speaks

8 a.m. EST

New York Fed 's Dudley speaks

10 a.m. EST

Bank of Canada releases policy statement

2 p.m. EST

U.S. Federal Reserve releases beige book report on U.S. economic conditions

Thursday

7:45 a.m. EST

European Central Bank releases policy statement

8:30 a.m. EST

ECB's Draghi holds press conference in Frankfurt

3:50 p.m. EST

Bank of Canada's Lane gives economic progress report in Vancouver, British Columbia

A New Way to Measure Growth and Development: The Inclusive Development Index

Richard Samans creates a new way to measure growth in a standard manner, given recent "political developments in many countries suggest that most of their citizens lack confidence in the assumption of the standard growth model that everyone in a society benefits from GDP growth." His "Inclusive Development Index" is "based on a dashboard of indicators in growth and development, inclusion, and intergenerational equity and sustainability." He finds in a VoxEU column, "The IDI's comparative data provide striking evidence that we cannot rely solely on strong GDP growth to generate inclusive socioeconomic progress and a rising median standard of living. GDP per capita growth is weakly correlated with performance for three-quarters of IDI indicators, including those pertaining to employment, income inequality, wealth inequality, median household income, public indebtedness and carbon intensity."

Low Rates Spur Reach for Yield

Low interest rates encourage people to make riskier investments , according to experiments conduction in the U.S. and the Netherlands by Yueran Ma and Wilte Zijlstra. In a posting on VoxEU, the two economists write that this behavior is partly driven by the use of a "reference" rate for acceptable returns based on experience. "We find that investment history has a significant impact on investment decisions – for instance, when participants first make investment decisions in the high interest rate condition and then make decisions in the low interest rate condition, they invest substantially more in the risky asset in the low-rate condition," they write.

Have We Dodged the Secular-Stagnation Bullet?

Northwestern University 's Robert Gordon posited "that the century after the US Civil War – from about 1870 to 1970 – brought an unprecedented economic revolution, as innovations like electricity and piped water rapidly raised productivity and transformed people's lifestyles. In his view, today's innovations – especially in digital technology, machine learning, and artificial intelligence – may be breathtaking, but they do not have the same broad productivity-raising potential," Kemal Derviș writes for Project Syndicate. Recently, the expected return on investment has changed, he writes. "If, controverting Gordon's thesis, today's technologies do boost productivity significantly, the return on investment would rise (unless labor receives all of the gains in the form of higher wages, an outcome that nobody expects). That would lift the interest rate that balances supply and demand out of negative territory, solving [the] secular-stagnation problem."

Jury's Out on Central Banks' Resolve to Face Down Markets

"As far back as June 2014, the [Bank for International Settlments] said central banks were being too "hesitant" to remove stimulus "out of concerns about disrupting [**financial] markets**" and that "the risk of normalising [policy] too late and too gradually should not be underestimated,"" Nicholas Spiro writes for the South China Morning Post. "Last week, Jerome Powell – the bold new chairman of the US Federal Reserve... gave the strongest hint yet by a leading central banker that rising **volatility** in markets is not a sufficient reason to refrain from withdrawing stimulus," but "Powell is not the only prominent central banker who appears willing to test the resilience of stimulus-dependent markets more forcefully than has been the case up until now... One of the most important determinants of central banks' resolve to remove stimulus, and the litmus test of how investors will respond to the end of QE, is the shift to tighter policy in Europe... Powell may prove to be more hawkish than markets anticipate, yet the concerns of the BIS are likely to lie more with Europe's central bank."

China's government has substantially increased spending on domestic security, official figures show, reflecting mounting concern about threats inside its borders as President Xi Jinping moves to acquire more power and reassert the authority of the Communist Party.

An increase in exports of goods and services drove economic growth in the eurozone during the final three months of 2017, a sign the currency area's recovery may be vulnerable to the euro's appreciation and a brewing trade conflict with the U.S.

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U.S. Markets
Markets
U.S. Stocks Climb After Inflation Data; Gains held after President Trump announced a change in his secretary of state

By David Hodari and Allison Prang
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The Wall Street Journal Online
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* U.S. inflation data in focus

* Dow, **S&P 500**, **Nasdaq** climb

* Trading calm in Europe, Asia-Pacific

U.S. stocks rose Tuesday as investors responded positively to the latest inflation data that showed consumer prices rose modestly in February.

The **Dow Jones Industrial Average** rose 91 points, or 0.4%, to 25269. The **S&P 500** climbed 0.2% and the **Nasdaq** added less than 0.1%.

The consumer-price index , which measures what Americans pay for everything from shampoo to hotel stays, rose 0.2% in February after climbing a seasonally adjusted 0.5% in January, the Labor Department said. Economists surveyed by The Wall Street Journal expected a 0.2% increase.

Erik Davidson, chief investment officer for Wells Fargo Private Bank, said the market doesn't have "to fear an extremely aggressive Fed." He expects the Federal Reserve to stay on track for three interest-rate increases this year.

"Because of this inflation data this morning...the Fed is not necessarily going to need to act more quickly," he said.

Also Tuesday morning, President Donald Trump said he would nominate CIA director Mike Pompeo as secretary of state to replace Rex Tillerson. The inflation data was still the bigger news Tuesday, observers said, as Wall Street has learned to deal with turnover in the administration.

"This is now what is expected to be normal," said Matt Miskin, market strategist at John Hancock Investments.

A lack of inflationary jitters during 2017 allowed U.S. stock indexes to leap to multiple records early in 2018, while investors kept long-term bond yields subdued.

Since the start of February, however, rising inflation in both the U.S. and Europe has prompted investors to second-guess central-bank guidance, fueling speculation about tighter monetary policy.

The inflation data was released against a fraught trading backdrop, with the Trump administration's announcement of tariffs on steel and aluminum imports having provoked rebukes from China and the European Union in recent days. How those trading partners now respond may have broader implications for global economic growth, analysts say.

"Trade and GDP growth are intimately linked. You've seen a big pickup in trade in the past six months, but now, that growth rate is slowing," said Edmund Shing, global head of equity derivative strategy at BNP Paribas. "The chances of a global recession in the next year or two are already rising and if you add to that a slowdown in the rate of trade—not just a slowdown in trade growth—it could have repercussions for global economies."

The yield on U.S. 10-year Treasurys edged down to 2.863%, according to Tradeweb, from 2.870% on Monday.

In corporate news, shares of chip maker Qualcomm fell 3.9% after President Trump on Monday blocked Broadcom's $117 billion hostile takeover bid on national security grounds.

Elsewhere, the Stoxx Europe 600 slipped 0.4%, after Asia-Pacific indexes shrugged off early pressure.

In Asia, Japanese stocks closed up 0.7%, erasing earlier losses. The Shanghai Composite fell 0.5% on news that China plans to merge its banking and insurance regulators .

Kenan Machado contributed to this article.

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WSJ PRO CENTRAL BANKING

Economy

Quick Hits: Bank of Korea Chief Says U.S. Protectionism May Hit Exports Through 2020; Bank of England rate rise prospects are seen overriding Brexit concerns for the pound

By WSJ Staff
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The Bank of Korea's leader said protectionist U.S. trade policies could reduce South Korea's exports the next three years, and U.K. investors next week will have to digest a Bank of England policy statement and Brexit discussions. Here are quick hits on central banking and related market views from around the world.

U.S. Protectionism May Hit South Korean Exports Through 2020

The Trump administration's protectionist policy could cut South Korean exports to the U.S. by 0.3% this year, and such an impact may last three years, says Bank of Korea Gov. Lee Ju-yeol in a written reply to lawmakers' questions ahead of next week's confirmation hearing. If further tariffs come down the pike, the export impact would be bigger, he added. Exports to the U.S. rose 3.2% last year to $69 billion, according to South Korean government data.

Kwanwoo Jun

AXA IM Sees 10-Year U.S. Treasury Yields Topping 3% at Midyear

There are a number of fundamental reasons to think that interest rates and bond yields will move higher, or at least that the risks are skewed toward that scenario, says Chris Iggo of AXA Investment Managers. He retains the view that the 10-year **U**.**S**. **Treasuryyield**, recently at 2.845%, will rise above 3% during the middle of the year. It is becoming a more consensual view that the Fed will increase its policy rate four times this year, and "at any rate, for now, the monetary policy outlook points to upside risks to yields," Mr. Iggo says.

Emese Bartha

Rate Rise Prospects to Override Brexit for Pound

Ahead of next week's Bank of England meeting, analysts say the prospect of a rate rise in the coming months may win out over Brexit concerns for the pound. "We continue to think risk-reward favors chasing GBP/USD upside over the coming months," ING says. It expects GBP/USD to rise to 1.45 in the second quarter, well above Friday's level of 1.3935. If U.K.-European Union Brexit talks—also next week—are positive, it would also benefit sterling versus the euro, pushing EUR/GBP to 0.86-0.87, versus 0.8823 Friday. TD Securities thinks rate prospects could push EUR/GBP into a 0.83-0.87 range. "The market is in a bit of denial that there is an 80% likelihood of a rate rise in May," TD currency strategist Ned Rumpeltin says.

Jessica Fleetham

U.K. Markets Await BOE Decision, European Council Meeting

Next week, a Bank of England policy decision on Thursday and a European Council meeting Thursday and Friday have potential to move the U.K. gilt curve, as well as sterling. Société Générale rates strategist Jason Simpson says markets will be wary of "strong hints" from the BOE that interest rates could rise in May. Meanwhile, the European Union summit is "a key target for the U.K. to agree the transition deal by." A deal should reassure markets that the economy isn't awaiting a cliff edge in 12 months' time, he adds.

Emese Bartha

BOE, EU Talks, U.K. Data Could Give Pound Strong Boost: ING

Next week will see "Brexit and Bank of England policy risks clash head-on," say ING analysts, who nonetheless say a combination of positive EU-U.K. transition talks, BOE comments pointing to a May rate rise and upbeat data could boost the pound. "The trifecta of an agreed Brexit transition deal, a status quo hawkish Bank of England policy message and constructive U.K. wage inflation data" likely would result in "a **bullish** breakout" for sterling, especially against the dollar. The analysts wouldn't rule out a sharp move toward year-to-date highs around 1.4250-1.4300, versus a GBP/USD level of 1.3935 on Friday. U.K. labor market and wage data are due Wednesday, with inflation figures Tuesday and retail sales Thursday.

Jessica Fleetham

Turkish Industrial Output Rose 12% on Year in January

Turkey's industrial production rose 12% on year in January compared with a 13.7% rise in December, on a calendar-adjusted basis, according to data from the Turkish Statistical Institute released Friday. Turkey's unadjusted industrial production, without stripping out calendar effects, rose 12.9% on year in January. Industrial production dropped 0.8% from the previous month on both a calendar and seasonally adjusted basis. In terms of sectors, mining output rose 22.9% compared with a year earlier, while manufacturing output rose 12.3%, and electricity output and distribution both increased 3.7%, the statistics agency said.

Yeliz Candemir

(Most of the items in this column come from Market Talk, a feature of Dow Jones Newswires that provides real-time analysis of news developments and market activity.)

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