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Steady Going As Gainers Balance Out Bank Losses

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Major indexes in the United States held steady for the third consecutive day Thursday as gains for retailers were canceled out by losses for banks and other companies.

Energy companies again headed lower after a sharp drop in **oil prices** the day before. Amazon and media company Viacom led consumer-focused companies higher. The **Nasdaq composite** inched higher and notched its eighth gain in a row.

Banks fell along with interest rates after the Labor Department reported that wholesale prices were little changed in July. That is a sign inflation pressures weakened slightly, which could encourage the Federal Reserve to go slower in its process of raising interest rates.

Trading this week has been light and investors seem to have set aside their worries about trade tensions. The **Standard & Poor's 500**-**stockindex** made a solid gain on Monday but has hardly budged since then. The VIX, a measure of how much **volatility** investors expect, has fallen to its lowest level since early January.

''It's not that risk has gone away,'' said JJ Kinahan, chief market strategist for TD Ameritrade. ''Quantifiable risk is not there right now.''

The **S**.**&P**. **500** fell in the final minutes of trading, closing down 4.12 points, or 0.1 percent, to 2,853.58. The **Dow Jonesindustrial average** slipped 74.52 points, or 0.3 percent, to 25,509.23. The **Nasdaq composite** added 3.46 points to 7,891.78.

The Labor Department said wholesale prices were unchanged in July. Gas and food prices both slipped and soybeans prices tumbled, likely reflecting a buildup in stockpiles after China imposed tariffs on them in retaliation for duties fron the United States.

Bond prices jumped. The yield on the **10**-**year Treasury** note fell to 2.93 percent from 2.96 percent. That hurt banks, as lower interest rates make long-term loans like mortgages less profitable.

Several companies traded on deal news, but most of the news was about deals that fell apart. Rite Aid called off its sale to the grocery chain Albertsons following opposition from advisory firms and one of Rite Aid's biggest shareholders. Rite Aid fell 11.5 percent to $1.54.

Walgreens tried to buy Rite Aid last year, but settled for buying about half of its stores after regulators opposed a full sale. The company has been struggling with high debt and tough competition.

Tribune Media withdrew from its planned sale to Sinclair Broadcasting and said it will sue Sinclair for breach of contract. Both stocks plunged in mid-July when the Federal Communications Commission expressed major concerns about the deal.

Tribune rose 2.9 percent to $34.60, and Sinclair added 2.6 percent to $27.80.

Electric car maker Tesla tumbled 4.8 percent to $352.45. The stock surged 11 percent Tuesday, mostly because its chief executive, Elon Musk, tweeted that he was considering taking Tesla private.

The Wall Street Journal has reported that the Securities and Exchange Commission has opened an inquiry into the wording and the method of Musk's announcement, while Bloomberg News reported that the agency started an inquiry even before the tweet.

Tesla has given up most of Tuesday's gain, suggesting investors are dubious about the potential deal.

Business information provider Dun & Bradstreet agreed to be bought by a group of investors for $145 a share, or about $5.4 billion. The stock rallied 15.8 percent to $142.21.

The **S**.**&P**. **500** is on track for its sixth weekly gain in a row as an unusually strong round of corporate earnings winds down. Retailers including Macy's and Walmart are scheduled to report their results next week, and Kinahan, of TD Ameritrade, said stocks could resume their upward climb if those companies say shoppers are still spending freely.

Online reviews company Yelp jumped 26.7 percent to $48.33 after it raised its revenue forecast and said advertising revenue surged in the second quarter. Video streaming company Roku climbed 21.3 percent to $57.32 after it took a smaller loss than analysts expected while its revenue surpassed expectations.

Travel site Booking Holdings lost 5 percent to $1,942.39 after a weak profit forecast. Generic drugmaker Perrigo cut its forecasts because of weak results from its prescription business and said it plans to split that unit into a separate company. The stock sank 10.6 percent to $70.03.

Benchmark United States crude oil dipped 0.2 percent to $66.81 a barrel in New York, stabilizing after a 3 percent drop a day earlier.

The dollar inched up to 111.04 yen from 110.96 yen. The euro fell to $1.1529 from $1.1612.

Gold lost 70 cents to $1,211.90 an ounce.

The New York Stock Exchange at closing bell Thursday. The **S**.**&P**. **500** had fallen a few points in the final minutes of trading. (PHOTOGRAPH BY BRYAN R. SMITH/AGENCE FRANCE-PRESSE -- GETTY IMAGES) CHARTS: The **S**. **& P**. **500 Index** (Source: Reuters); **30**-**Year Treasury Bond** (Source: Treasury Department)

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Airlines and Department Stores Put Wings on Market After a Mixed Start

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Retailers and airlines helped lift stocks broadly higher on Monday, extending the market's gains from last week.

Consumer-focused companies and industrial stocks grabbed most of the gains. Banks and health care shares also rose. Energy companies climbed along with the price of crude oil.

Technology companies trailed the broader market, weighing down the **Nasdaq composite** index for much of the day.

The market's latest gains, while modest, added to what has been a mostly solid summer for stocks. The **Standard & Poor's 500-stockindex**, the market's benchmark, has posted a weekly gain in six of the past seven weeks.

On Monday, the **S.&P. 500** rose 6.92 points, or 0.2 percent, to 2,857.05. The **Dow Jonesindustrial average** climbed 89.37 points, or 0.4 percent, to 25,758.69.

The **Nasdaq composite** index recovered from a morning slide, adding 4.68 points, or 0.1 percent, to 7,821.01. The Russell 2000 index of smaller-company stocks also rebounded, picking up 5.75 points, or 0.3 percent, to 1,698.69.

Stocks got off to a mixed start as investors weighed the latest corporate earnings and deal news.

Since last week, investors have been feeling cautiously optimistic about the prospects for an end to the trade dispute between the United States and China, which has led to dueling tariffs between the two nations and caused uncertainty in the markets. Hopes rose late last week on news that China would send an envoy to Washington this month to discuss a way out of the standoff before President Trump and President Xi Jinping of China meet in November.

''Is there motivation to get it resolved before November? Sure, but it's not going to be resolved anytime soon,'' said Tom Martin, senior portfolio manager with Globalt Investments. ''It's going to continue to be an overhang, and there's going to be a lot of posturing before any real deals are reached.''

On Monday, investors bid up shares in consumer-focused companies, with several big department store chains leading the way. Macy's was the biggest gainer in the **S.&P. 500**, vaulting 6.1 percent to $38.21. Kohl's picked up 3.2 percent to $78.85, and Nordstrom rose 4 percent to $61.56. Gap gained 2.9 percent to $32.17.

Airlines climbed as part of a broader rise in industrial sector stocks. American Airlines Group jumped 5.8 percent to $39.99, while United Continental Holdings gained 3.9 percent to $85.22. Southwest Airlines rose 3.3 percent to $61.63.

The cosmetics company Estée Lauder climbed 3.4 percent to $140.56 after it reported quarterly results that topped Wall Street's forecasts. The company benefited from better-than-expected global sales, particularly in Asia.

Traders also welcomed the latest corporate deal news.

SodaStream, an Israeli maker of carbonated drink machines, jumped 9.4 percent to $142.11 after PepsiCo agreed to buy it for $3.2 billion. China Biologic Products Holdings surged 8.7 percent to $100 after the company received a takeover offer from an investor group for $118 a share in cash.

Technology stocks, which have outperformed other sectors this year, slumped on Monday. Intel fell 1.3 percent to $46.50.

United States benchmark crude rose 0.8 percent to settle at $66.43 a barrel in New York. Brent crude, the standard for international **oil prices**, added 0.5 percent to close at $72.21 a barrel in London.

The pickup in **oil prices** helped lift energy stocks. The oil field services company Baker Hughes gained 3.2 percent to $32.01.

Bond prices rose, and the yield on the **10**-**year Treasury** fell to 2.82 percent from 2.86 percent Friday.

The dollar fell to 110.12 yen from 110.60 yen late Friday. The euro strengthened to $1.1474 from $1.1441.

Gold rose 0.8 percent to $1,186.80 an ounce. Silver added 0.3 percent to $14.67 an ounce. Copper gained 1.5 percent to $2.69 a pound.

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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STOCKS & BONDS
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The S.&P. 500 Flirts With a New High As the Bull Run Closes In on a Record

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4
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The **S&P 500 index** briefly traded at an all-time high Tuesday just as the U.S. **stock market**'s bull run came closer to becoming the longest on record.

The market's benchmark index eked out a slight gain, closing a little below the high mark it set in January. The rally pushed the Russell 2000 index of smaller-company stocks to a record high.

The current **bull market**, which began in 2009, is on track to become the longest in history on Wednesday, surpassing the bull run of the 1990s.

Tuesday's gains were driven by strong earnings by homebuilders, retailers and other companies.

"That we got to these levels in January was a big surprise, more so than we're back there now," said Bob Doll, chief equity strategist at Nuveen Asset Management. "We've had a mildly higher market after the correction on the back of these amazing earnings."

The **S&P 500** rose 5.91 points, or 0.2 percent, to 2,862.96. The **Dow Jones Industrial Average** gained 63.60 points, or 0.2 percent, to 25,822.29. The **Nasdaq composite** added 38.17 points, or 0.5 percent, to 7,859.17. The Russell 2000 picked up 19.35 points, or 1.1 percent, to 1,718.05. It's last all-time high was set June 20th.

Shortly before 1 p.m. Eastern Time, the **S&P 500** briefly crossed above its latest closing high of 2,872 set on Jan. 26. The market took a steep plunge immediately after that, in early February, and has been mostly clawing higher since then, with some bumps along the way, thanks to a still-recovering economy and a boom in corporate profits.

Stocks have been buffeted by concerns about mounting trade tensions this spring and summer, particularly with China. Signs of potential progress have helped stocks rally in recent weeks. S&P Dow Jones Indices, which compiles the **S&P 500**, says that on Wednesday, the current **bull market** become the longest in history.

"Earnings are still going to carry the market higher, but the trade issue holds us back for stocks keeping up with earnings," Doll said.

Investors have had much to cheer about when it comes to company earnings this year, and the second-quarter reporting period has been no exception. Of the 93 percent of the companies in the **S&P 500** that have reported quarterly results, 62 percent delivered earnings and revenue that beat analysts' forecasts, according to S&P Global Market Intelligence.

"Earnings season was phenomenal and that removed one worry," said Craig Birk, chief investment officer at Personal Capital. "When people are just looking at companies and just looking at economic fundamentals, they feel good about things."

Investors cheered the latest batch of strong company earnings Tuesday.

Traders sent homebuilder shares higher after Toll Brothers reported earnings that came in well ahead of what analysts were expecting. The luxury builder vaulted 13.8 percent to $39.52. Other homebuilders also got a boost. Lennar gained 4.2 percent to $53.26, while PulteGroup added 5.5 percent to $29.67.

TJX also delivered quarterly results that impressed investors, who sent shares in the operator of T.J. Maxx, Marshalls and other discount retail chains 4.7 percent higher to $106.46.

Medtronic gained 5.7 percent to $95.17 after the medical technology company's latest quarterly report card also beat Wall Street's projections.

Discount brokers fell sharply after CNBC reported that JPMorgan Chase will offer free online trading. ETrade fell 4.4 percent to $58.56. Charles Schwab lost 2.4 percent to $50.17. TD Ameritrade slumped 7.1 percent to $55.88.

J.M. Smucker fell 6.6 percent to $108.20 after the maker of Jif peanut butter, Crisco cooking oil and other products reported quarterly results that fell short of analysts' estimates. The company also trimmed its outlook for the year.

U.S. benchmark crude rose 1.4 percent to settle at $67.35 per barrel in New York. Brent crude, the standard for international **oil prices**, gained 0.6 percent to close at $72.63 per barrel in London.

Bond prices fell. The yield on the **10**-**year Treasury** rose to 2.84 percent from 2.82 percent late Monday.

The dollar rose to 110.40 yen from 110.23 yen late Monday. The euro strengthened to $1.1574 from $1.1467.

Gold rose 0.5 percent to $1,200 an ounce. Silver added 0.7 percent to $14.77 an ounce. Copper gained 0.9 percent to $2.71 a pound.

In other energy futures trading, heating oil rose 0.5 percent to $2.12 a gallon. Wholesale gasoline gained 0.1 percent to $2.02 a gallon. Natural added 1.3 percent to $2.98 per 1,000 cubic feet.

Major indexes in Europe finished mostly higher. Germany's DAX added 0.4 percent, while France's CAC 40 climbed 0.5 percent. Britain's FTSE 100 slipped 0.3 percent.

In Asia, Japan's benchmark Nikkei 225 rose nearly 0.1 percent, while Australia's S&P/ASX 200 lost nearly 1 percent. South Korea's Kospi rose 1 percent. Hong Kong's Hang Seng climbed 0.6 percent. Shares were higher in Taiwan but fell in Singapore.

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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Hopes for Trade Deal Push Indexes Higher

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5
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Stocks posted solid gains on Monday after the White House said it had reached a preliminary deal with Mexico on replacing the North American Free Trade Agreement. The **Nasdaq composite** index topped 8,000 for the first time.

The trade agreement is far from final and few details were made public during trading hours, but investors were encouraged that the countries were working toward a resolution.

The United States still needed to reach an understanding with Canada, the third party in the accord and the second-largest trading partner for the United States. Canada's foreign minister, Chrystia Freeland, was scheduled to fly to Washington on Tuesday to try to restart talks.

Automakers, which would stand to benefit from warmer trade relations between the United States and Mexico, rose sharply. Major exporters rose, including chemical and industrial companies, and so did banks and technology companies.

"Most of this year has been a series of potentially negative events on trade, setting up barriers to trade," said Craig Birk, chief investment officer for Personal Capital. "The market is welcoming anything that's the opposite."

Birk said investors were glad to get some good news on trade, even though talks on a Nafta replacement will likely continue beyond the congressional elections this fall and into 2019.

The **Standard & Poor**'**s 500**-**stockindex** climbed 22.05 points, or 0.8 percent, to 2,896.74. The **Dow Jonesindustrial average** jumped 259.29 points, or 1 percent, to 26,049.64. The **Nasdaq composite** index gained 71.92 points, or 0.9 percent, to 8,017.90. The Russell 2000 index of smaller-company stocks added 2.73 points, or 0.2 percent, to 1,728.41.

Among automakers, General Motors gained 4.8 percent to $37.69, and Ford rose 3.2 percent to $9.99.

Caterpillar rose 2.8 percent to $142.04, and DowDuPont gained 2.3 percent to $70.81.

Alphabet, Google's parent company, climbed 1.6 percent to $1,256.27. Amazon rose 1.2 percent to $1,927.68.

Rising trade tensions are one reason the dollar has been climbing this year, and word that a revision of the Nafta deal could be coming sent the dollar lower. It fell to 1.2965 Canadian dollars from 1.3029 late Friday and to 18.7338 Mexican pesos from 18.9249. The dollar also fell to 111.08 yen from 111.17 yen. The euro rose to $1.1681 from $1.1626.

The **S**.**&P**. **500** has risen for seven of the last eight weeks following strong corporate earnings and growing optimism the United States would work out its differences with several major trading partners. The **S**.**&**.**P 500** is up 6.6 percent since the end of June, and, like the **Nasdaq** and Russell, it's trading at record highs.

Tesla fell 1.1 percent to $319.27 after Elon Musk, its chief executive and top shareholder, said over the weekend that it would remain a publicly traded company. Musk wrote in a Friday blog post that he had given up on a plan to take the company private, partly because investors didn't support it.

Wall Street was stunned early this month when Musk tweeted that he had secured funding to take Tesla private, and while its stock jumped initially, investors remained skeptical. Musk said his proposal valued Tesla at $420 a share, and afterward the stock peaked at about $380 a share, close to a high for Tesla but still well below the price he named.

Since then the stock, has tumbled as it became clear Musk hadn't lined up funding for the deal. Reports have said that regulators are looking into Musk's tweets, including whether he described the potential deal accurately, among other issues for Tesla.

Bond prices slipped. The yield on the **10**-**year Treasury** note rose to 2.85 percent from 2.81 percent. The increase in interest rates helped financial companies, and Goldman Sachs rose 3.2 percent to $242.60.

Utilities and other high-dividend companies fell. Investors consider those big dividend payers an alternative to bonds, so they often sell them when yields start to rise.

Benchmark United States crude oil edged up 0.2 percent to $68.87 a barrel. Brent crude, which is used to price international oils, gained 0.5 percent to $76.21 a barrel in London.

Gold rose to $1,209 an ounce.

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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Tech and Trade Lift Wall Street

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Stocks on Wall Street climbed on Wednesday, propelled by gains by Amazon and other big technology companies. The **Standard & Poor's 500-stockindex** and the **Nasdaq** both closed at record highs for the fourth straight day.

In that stretch, stocks have rallied while investors grew hopeful about trade talks among the United States, Mexico and Canada. Prime Minister Justin Trudeau said on Wednesday that Canada could join a trade pact with the two other nations by Friday.

Meanwhile, the Commerce Department reported that the economy was a bit stronger than previously thought. Gross domestic product in the second quarter grew 4.2 percent, according to its revised data. Stronger business investment was a big reason, as companies spent more on items like software.

''Corporate spending is up, which is something that is very important for the overall economy,'' said Quincy Krosby, chief market strategist at Prudential Financial.

Apple, Microsoft and Alphabet, Google's parent company, all posted strong gains.

The **S.&P. 500** advanced 16.52 points, or 0.6 percent, to 2,914.04. The **Dow Jonesindustrial average** rose 60.55 points, or 0.2 percent, to 26,124.57. The **Nasdaq composite** jumped 79.65 points, or 1 percent, to 8,109.69.

The Russell 2000 index of smaller-company stocks added 6.33 points, or 0.4 percent, to 1,734.75. It also closed at a record high.

The **S.&P. 500** has risen 3.5 percent in August after a 3.6 percent gain in July. That two-month gain is its best since late 2015.

Amazon shares jumped 3.4 percent to $1,998.10 after a Morgan Stanley analyst raised his price target to $2,500 from $1,850. At that price, Amazon would have a market value of $1.2 trillion.

''We have increasing confidence that Amazon's rapidly growing, increasingly large, high margin revenue streams (advertising, Amazon Web Services, subscriptions) will drive higher profitability,'' Brian Nowak wrote.

Apple became the first publicly traded company to reach the $1 trillion mark early this month. Investors value Apple at almost $1.08 trillion to Amazon's $975 billion.

Other retailers struggled. Stock in Dick's Sporting Goods dipped 2.2 percent to $35.60 after sales fell short of expectations. Tiffany shares sank 4.3 percent to $125.48 and Kohl's lost 1.9 percent to $77.34.

Shoe Carnival shares surged 13.1 percent to $41.74 after the footwear retailer raised its annual forecasts. The company said back-to-school sales were off to a good start.

Energy companies rose along with **oil prices**. Benchmark United States crude rose 1.4 percent to $69.51 a barrel in New York while Brent crude, used to price international oils, gained 1.6 percent to $77.14 a barrel in London.

Stock in homebuilders fell after the National Association of Realtors said fewer Americans signed contracts to buy homes in July compared with the previous month. High home prices and rising mortgage rates are pushing home sales down even though economic growth is solid. On Tuesday, the S.&P.-Case Shiller index showed that home prices rose 6.3 percent in July, a slower pace than the month before.

Roku shares slumped 4.9 percent to $59.92 after a report said Amazon might challenge the company with an ad-supported video service. The Information said Amazon would offer the service through its Fire TV devices, which about 48 million people own.

In other commodities trading, wholesale gasoline rose 1.3 percent to $2.11 a gallon. Gold fell $5 to $1,207.40 an ounce.

Bond prices were little changed. The yield on the **10**-**year Treasury** note ticked up .01 percentage point to 2.89 percent.

The dollar rose to 111.69 yen from 111.19 yen. The euro rose to $1.1702 from $1.1692.

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

CHARTS: 7-Year Treasury Notes: High yield at auction. (Source: Treasury 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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Markets' 4-Day Winning Streak Ends as Oil Prices Sink Energy Companies

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A late gain for stocks slipped away Wednesday as a four-day winning streak ended in the United States. Energy companies sank along with the price of oil.

The price of crude oil fell more than 3 percent Wednesday. Big dividend payers and industrial companies slipped. Gains for Microsoft, Facebook and Alphabet helped technology companies finish higher. Banks and health care companies also rose.

The United States and China both announced new tariffs: Later this month each country will put a 25 percent tax on $16 billion in goods imported from the other. Both countries placed tariffs on $34 billion in imports earlier this month, and they have threatened much larger tariffs to come.

But investors have been focusing on rising company earnings instead. Karyn Cavanaugh, senior markets strategist at Voya Investment Management, said American companies are expecting bigger profits in spite of the tariffs.

"That speaks to me a lot louder than a lot of negative headlines," she said. "Companies have gotten very good at minimizing their costs and being very efficient with what they have."

The **Standard & Poor's 500**-**stockindex** dipped 0.75 points to 2,857.70. The **Dow Jonesindustrial average** fell 45.16 points, or 0.2 percent, to 25,583.75. The **Nasdaq composite** rose 4.66 points, or 0.1 percent, to 7,888.33.

The Trump administration plans to tax Chinese industrial products such as steam turbines and iron girders starting Aug. 23. China's government said it will put tariffs on goods from the United States including cars, crude oil and scrap metal starting on the same date.

Oil futures fell sharply. United States crude oil lost 3.2 percent to $66.94 a barrel in New York.

Exxon Mobil lost 0.7 percent to $80.73, and Chevron dipped 1 percent to $123.88.

Snap, which runs the Snapchat video app, fell 6.8 percent to $12.23 after it said daily users fell during the second quarter. It is the latest technology company to have its stock drop after announcing discouraging user totals, joining Facebook, Twitter and Netflix.

Match Group, the parent of online dating companies including Match.com and OKCupid, bucked that trend. Its stock jumped 17.3 percent to $45.60 after Match reported big gains in subscribers, especially for Tinder. Its adjusted profit and revenue beat Wall Street projections.

In April, construction equipment company Caterpillar said it doubted it would top its first-quarter profit for the rest of this year. Investors were concerned that that might hold true for the rest of corporate America, but so far it has not.

A month ago analysts expected the companies of the **S**.**&P**. **500** to earn $160.32 per share in 2018. That has risen by almost a dollar, to $161.29 a share. Their estimates for 2019 have risen by a bit more than a dollar, to $177.52 a share from $176.38.

Pizza maker Papa John's fell 5.2 percent to $38.94 after it said North American sales fell again. The company also cut its forecasts for the year. Papa John's is in a public spat it with founder John Schnatter, who was ousted as chairman in July after a report he used a racial slur in a conference call.

Domino's, a rival pizza delivery company, climbed 3.4 percent to $286.92.

Walt Disney fell 2.2 percent to $113.98 after the entertainment company's profit and revenue fell short of analysts' estimates.

Cars.com and Avis Budget Group both sank after cutting their sales forecasts. Rental car company Avis skidded 15.2 percent to $32.85 while Cars.com, an online auto marketplace, dipped 2.6 percent to $27.29.

Struggling rival Hertz jumped 24 percent Tuesday after a better-than-expected quarterly report. Hertz fell 7.3 percent to $18.11 Wednesday.

Bond prices turned higher. The yield on the **10**-**year Treasury** note fell to 2.96 percent from 2.98 percent.

Gold rose $3.00 to $1,212.60 an ounce.

The dollar fell to 110.96 yen from 111.43. The euro inched up to $1.1612 from $1.1596.

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); **10**-**Year Treasury** Notes: High yield in monthly refunding auction. (Source: Treasury Department)

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A Brief History of Bull Markets, Starting at a Postwar Boom

By PETER EAVIS and STEPHEN GROCER
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English

The **stock market** rally that kicked off more than nine years ago during the financial crisis is now arguably the longest on record in the United States.*

[*By one measure. Read about the caveats here .]

The **Standard & Poor's 500**-**stockindex** has marched steadily higher for 3,453 days. Since bottoming out on March 9, 2009, it is up more than 320 percent.

Investors have enjoyed 11 bull markets -- defined as a period without a pullback of 20 percent or more -- since the end of World War II. Usually driven by a strengthening economy that fuels corporate profits, bull markets often end in recession after the Federal Reserve begins to raise rates to slow rising prices and cool the economy.

Here's a look at the five other longest bull markets of the past 70 years.

June 1949 to August 1956

A Peacetime Boom

GAIN: 267%

The first **bull market** after World War II remains one of the most impressive. With Europe a shambles, the American economy took off, producing one of the strongest expansions on record. In September 1954, the **stock market** finally climbed past the peak it had reached in 1929 before the Great Depression. The **S**.**&P**. **500** kept rising, even through a period that included the Korean War and President Dwight D. Eisenhower's heart attack in 1955.

In 1956, the Fed, concerned about inflation, raised interest rates. The economy cooled, and the **bull market** ended. The Suez Crisis and the Hungarian Revolution would help drive stocks into a **bear market**. But that didn't last long -- the bull returned in 1957.

October 1974 to November 1980

Inflation Lurks

GAIN: 126%

The **bull market** of the second half of the 1970s didn't charge so much as limp.

The early '70s saw one of the worst bear markets in history, driven by the collapse of a monetary agreement among Western nations, an **oil price** shock, runaway inflation and slowing economic growth. Stocks had fallen nearly 50 percent from their 1973 high. But investors became more optimistic as the Vietnam War came to a close, the social unrest of the 1960s began to simmer down and corporate profits rose.

But inflation remained high, robbing investors of much of their returns. In 1979, a tough new Fed chairman, Paul A. Volcker, finally moved to tame inflation. He raised interest rates to historically high levels, ending the **bull market** and helping to cause a brief recession in the early 1980s.

August 1982 to August 1987

Before Black Monday

GAIN: 229%

Not every **bull market** ends in a recession.

Falling interest rates, a strong economy, and a flurry of corporate mergers and public offerings fueled a **bull market** and the excesses of 1980s Wall Street. Even so, there were mounting concerns heading into fall 1987: The rally had pushed valuations to high levels, and the Fed, again worried about inflation, had begun to raise interest rates. Geopolitical events centered in the Persian Gulf and concerns about the trade deficit only added to investors' jitters.

Then, on Oct. 19, 1987, a day that became known as Black Monday, stocks tumbled more than 20 percent. When the selling began, it was exacerbated by computerized trading, then still in its infancy, without the so-called circuit breakers that would now halt trading during such a plunge. It remains the worst one-day crash in history by percentage.

As dark a moment as it was, the United States economy continued to grow for nearly three more years.

October 1990 to March 2000

The Dot-Com Boom

GAIN: 417%

Few thought in 1990 that stocks were about to embark on one of the most remarkable rallies ever.

The economy was sluggish, banks were saddled with bad loans and Iraq had recently invaded Kuwait, prompting the United States and its allies to send forces to the Middle East. On the day the **stock market** began its recovery, The New York Times quoted an analyst saying that the **bear market** had not run its course and that any recovery in the next couple of months would be ''a temporary respite in a major downtrend.''

Within months, though, Iraq had been expelled from Kuwait, and the economy had entered a period of strong and stable growth. Corporate profits ballooned, and retail investors rushed into the market. Finally, toward the end of the decade, investors' optimism morphed into the sort of ''irrational exuberance'' that Alan Greenspan, the Fed chairman at the time, had described a few years earlier. The Fed, hoping to slow inflation, and perhaps to cool the **stock market**, began raising interest rates. But a series of increases were slow to quell investor enthusiasm, and the tech bubble continued to inflate -- until, eventually, it burst.

October 2002 to October 2007

The Housing Bubble

GAIN: 102%

After the dot-com crash in 2000, the Fed slashed interest rates and borrowing took off -- including among home buyers with subprime credit. Complex financial products -- like the collateralized debt obligations into which those mortgages were packaged -- soared. The balance sheets, profits and share prices of the banks that created and traded these products swelled. By 2006, the financial sector was the largest in the **S**.**&P**. **500**.

But as the economy took off, the Fed began to raise the historically low interest rates. Now the borrowed money was more expensive to pay back, and defaults climbed. By the time stocks peaked in October 2007, the era of easy lending was over and banks were taking huge losses. By December, the economy had fallen into recession, and the next summer stocks entered a **bear market**. By October 2008, some of Wall Street's biggest financial institutions had collapsed and the federal government had begun the bailout that helped set off the current **bull market**.

Pets.com, which went public at the height of the dot-com bubble, became emblematic of 1990s excesses. (PHOTOGRAPH BY SCOTT GRIES/IMAGEDIRECT); In 1954, stocks finally climbed past the peak they had reached in 1929 before the Depression. The **S**.**&P**. **500** kept rising until cooled by rising interest rates.; On Oct. 19, 1987, the **stock market** suffered its worst crash on record. The overall economy, however, would grow for nearly three more years. (PHOTOGRAPHS BY ASSOCIATED PRESS); The rise of subprime mortgages defined the credit bubble of the 2000s. This bust gave way to today's **bull market**. (PHOTOGRAPH BY JUSTIN SULLIVAN/GETTY IMAGES)

Document NYTF000020180823ee8n00044

The New York Times

Business/Financial Desk; SECTB
Optimism Over China Trade Gives United States Markets a Reason to Rise

By THE ASSOCIATED PRESS
735 words
18 August 2018
The New York Times
NYTF
Late Edition - Final
2
English

Markets rose late in the day Friday as investors welcomed signs of progress in resolving the trade dispute between the United States and China. Industrial, health care and basic materials companies made some of the biggest gains.

The Wall Street Journal reported that the countries hope to have a resolution by November. The report came a day after China said it would send an envoy to Washington for the first talks between the countries since early June.

Marina Severinovsky, an investment strategist at Schroders, said stocks could jump if the United States and China made real progress toward a trade agreement. But stocks in emerging markets might make even bigger gains.

"The rally that could come, if there is a better outcome, would be in emerging markets," she said. "China has suffered pretty greatly ... the U.S. has held up pretty well."

The late gains came in spite of weak results for several chip-makers. Shares of the electric carmaker Tesla took their biggest drop in two years on reports of a wider government investigation into the company and concerns about the health of Elon Musk, the chief executive.

The **Standard & Poor's 500-stockindex** rose 9.44 points, or 0.3 percent, to 2,850.13. The **Dow Jonesindustrial average** added 110.59 points, or 0.4 percent, to 25,669.32. The **Nasdaq composite** edged up 9.81 points, or 0.1 percent, to 7,816.33. The Russell 2000 index of smaller-company stocks gained 7.19 points, or 0.4 percent, to 1,692.95.

Industrial companies made some of the biggest gains after the agricultural equipment maker Deere posted stronger than expected sales. Its stock rose 2.4 percent to $140.59.

Shares of the construction equipment maker Caterpillar rose 2.3 percent to $139.34 and shares of the engine maker Paccar added 2.3 percent to $67.16.

Chip-makers' stocks fell after two companies gave weaker forecasts for the third quarter. Nvidia said it no longer expected much revenue from products used in mining digital currencies, and its stock fell 4.9 percent to $244.82. Applied Materials stock slumped 7.7 percent to $43.77.

While shares of big names like Netflix, Facebook and Amazon slipped, Apple led technology companies slightly higher over all. Apple stock rose 2 percent to $217.58.

Nordstrom shares climbed 13.2 percent to $59.18 after the company raised its annual profit and sales forecasts and posted better earnings and sales than analysts expected.

The **S.&P. 500** finished this week with a solid gain of 0.6 percent, but it took a difficult path to get there. Stocks fell earlier this week because of worries about Turkey's currency crisis, and later investors fretted about China's economic growth.

The recovery started Thursday as investors hoped the upcoming talks between the United States and China would help end the impasse that has resulted in higher tariffs from both countries.

Bond prices rose. The yield on the 10-year Treasury note fell to 2.86 percent from 2.87 percent.

United States crude oil picked up 0.7 percent to $65.21 a barrel in New York. Brent crude, the standard for international oil prices, added 0.6 percent to $71.83 per barrel in London.

Wholesale gasoline dipped 0.3 percent to $1.98 a gallon. Heating oil inched up 0.1 percent to $2.10 a gallon. Natural gas rose 1.3 percent to $2.95 per 1,000 cubic feet.

Gold rose to $1,181.20 an ounce. Silver fell 0.6 percent to $14.63 an ounce. Copper added 0.5 percent to $2.63 a pound.

The dollar dipped to 110.60 yen from 110.91 yen. The euro rose to $1.1441 from $1.1371.

The DAX in Germany lost 0.2 percent and in France, the CAC-40 fell 0.1 percent. The FTSE 100 in Britain was little changed.

In Japan, the Nikkei 225 index added 0.4 percent and in Hong Kong, the Hang Seng gained 0.4 percent. In South Korea, the Kospi gained 0.3 percent.

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
Indexes Rise Amid Solid Jobs Report And Strong Quarterly Earnings

By THE ASSOCIATED PRESS
955 words
4 August 2018
The New York Times
NYTF
Late Edition - Final
3
English

Stocks rose on Friday after the Labor Department said hiring remained solid in July and strong quarterly earnings continued to boost the market.

American employers added 157,000 jobs last month, fewer than analysts expected. But the Labor Department said more jobs were added in May and June than it had previously reported. That made up for the shortfall in July.

There was little reaction to China's threat to put tariffs on $60 billion in American goods. Larger multinational companies climbed while smaller, United States-focused companies lagged the rest of the market. That is the opposite of what generally happens when investors are worried about trade tensions.

Bond prices edged higher, sending yields lower. Food companies and other big-dividend stocks rose.

Brad McMillan, chief investment officer for Commonwealth Financial Network, says the data show the economy is likely to keep expanding, but it is not heating up in a way that would push the Federal Reserve to raise interest rates more quickly.

''That's exactly what the market wants to see,'' he said. ''This report is right in the sweet spot.''

The **Standard & Poor's 500**-**stockindex** rose 13.13 points, or 0.5 percent, to 2,840.35. The **Dow Jonesindustrial average** gained 136.42 points, or 0.5 percent, to 25,462.58. The **Nasdaq composite** rose 9.33 points, or 0.1 percent, to 7,812.01. The Russell 2000 index of smaller-company stocks lost 8.73 points, or 0.5 percent, to 1,673.37.

The benchmark **S**.**&P**. **500** rose for the fifth week in a row. Some of those gains have been small, but that is the longest winning streak for the index this year.

The slightly weak jobs report reflected the bankruptcy of Toys ''R'' Us and job cuts in local governments, which dragged down the hiring totals.

Hourly wage growth remained modest in July, and inflation-adjusted wages are actually decreasing because inflation has gradually picked up. Mr. McMillan, of Commonwealth, says another reason for the slip is that companies are hiring people with lower education levels because there are more of those workers available. While low or stagnant wages are good for company profits and stock prices, it could pose a problem for the economy.

''One of the real questions going forward is whether in fact consumers can keep spending at the rate they have,'' he said.

Kraft Heinz climbed after the maker of Oscar Mayer meats and Jell-O pudding said improved sales in Europe and Asia helped offset weaker results from the United States and Canada. The New York Post also reported that Kraft has had talks with Campbell Soup about a possible deal.

The Post said Kraft had not made an offer. Kraft Heinz gained 8.6 percent to $64.48, and Campbell rose 2.5 percent to $42.76.

The cereal maker Post Holdings climbed 8 percent to $93.58 after reporting quarterly revenue that was higher than analysts expected. The company also said the private equity firm Thomas H. Lee Partners was investing in its private brands division, 8th Avenue Food & Provisions.

The video game publisher Take-Two Interactive jumped 9 percent to $123.41 percent after it topped Wall Street's expectations in the fiscal first quarter and raised its projections for the rest of the year. The company said players spent more money on "Grand Theft Auto Online" and "NBA 2K18" than it had expected. Rival Activision Blizzard lost 3.7 percent to $71.32 after a weak revenue forecast.

China and the United States continued to threaten each other with tariffs. China's government said on Friday that it would put tariffs on $60 billion in goods including coffee, honey and industrial chemicals if the United States goes ahead with a proposal to tax $200 billion in Chinese imports. The Trump administration said this week that it might put a tariff of 25 percent on those goods, a higher rate than it had threatened previously.

Bond prices rose. The yield on the **10**-**year Treasury** note fell to 2.95 percent from 2.98 percent.

Benchmark U.S. crude lost 0.7 percent to $68.49 a barrel in New York. Brent crude, used to price international oils, dipped 0.3 percent to $73.21 per barrel in London.

Wholesale gasoline slipped 0.1 percent to $2.07 a gallon. Heating oil fell 0.2 percent to $2.13 a gallon. Natural gas rose 1.3 percent to $2.85 per 1,000 cubic feet.

Energy companies traded lower after some disappointing quarterly reports. Noble Energy sank 7.9 percent to $32.89, and EOG Resources fell 2.8 percent to $122.41. Energy stocks have lagged the rest of the market in recent weeks after making big gains earlier this year.

Gold picked up 0.3 percent to $1,223.20 an ounce. Silver added 0.5 percent to $15.46 an ounce. Copper gained 0.9 percent to $2.76 a pound.

The dollar weakened slightly. It fell to 111.23 yen from 111.69 yen. The euro fell to $1.1578 from $1.1587.

The British FTSE 100 jumped 1.1 percent. Germany's DAX added 0.6 percent and the CAC 40 in France edged up 0.3 percent.

Japan's Nikkei 225 added less than 0.1 percent, and Hong Kong's Hang Seng index gave up 0.2 percent. South Korea's Kospi added 0.8 percent.

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

Personal Tech; SECTB
Worries Over China Trip Up Markets

By THE ASSOCIATED PRESS
560 words
16 August 2018
The New York Times
NYTF
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4
English

Deepening worries about global economic growth, particularly in China, set off a rout in riskier assets including technology stocks, copper and crude oil Wednesday. Retailers in the United States took a drubbing after Macy's reported weaker sales.

An unexpected drop in profits for Chinese tech giant Tencent surprised investors and added to some recent concerns about the health of China's economy. Tencent, a gaming and messaging company, is the most valuable technology company in China.

Earlier this week, reports factory output, consumer spending and retail sales in China were all slower than expected.

Technology companies including Alibaba and Baidu of China and American tech giants including Facebook and Microsoft fell.

The **Standard & Poor's 500-stockindex** had its biggest decline since late June while traditionally safe investments like bonds and high-dividend stocks rose.

"This year we've seen slower growth. Everyone expected that," said Kate Warne, an investment strategist for Edward Jones. "Over the last couple of months it looks like growth has been slower than everyone expected."

The **S.&P. 500** slid 21.59 points, or 0.8 percent, to 2,818.37. Earlier it fell as much as 1.3 percent. The **Dow Jonesindustrial average** fell 137.51 points, or 0.5 percent, to 25,162.41. The **Nasdaq composite** dropped 96.78 points, or 1.2 percent, to 7,774.12.

Tencent's stock fell 3.6 percent in Hong Kong. The shares of online retailer JD.com listed in the United States fell 4.5 percent to $32.36, and web search company Baidu gave up 1.3 percent to $213.47.

United States crude sagged 3 percent to $65.01 a barrel in New York.

Copper tumbled 4.5 percent to $2.56 a pound, its lowest price in more than a year.

Copper is an important economic indicator because of its uses in construction and power generation, and copper futures have fallen more than 20 percent since they hit an annual high of $3.30 a pound in early June.

Macy's plunged 15.9 percent to $35.15 after reporting that its sales slowed in the second quarter. Kohl's shed 5.8 percent to $74.39.

Retailers have struggled for years as investors worried about the growing threat of Amazon and other online shopping options. Wednesday's losses interrupted a huge rebound for the stocks in 2018.

Bond prices rose. The yield on the **10-year Treasury** note fell to 2.86 percent from 2.90 percent.

Banks fell because of a sharp drop in interest rates, which make mortgage and other loans less profitable. High-dividend companies like utilities and phone companies did better than the rest of the market. Investors often treat them as an alternative to bonds and buy them when yields fall.

Gold lost $15.50 to $1,177.50 an ounce.

The dollar fell to 110.57 yen from 111.22 yen. The euro held steady at $1.1343.

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); Retail Sales: Total retail and food services sales, seasonally adjusted. (Source: Commerce Department)

Document NYTF000020180817ee8g0000h

The New York Times

Business/Financial Desk; SECTB
U.S.-China Trade Talks Spur Hopes and Rally

By THE ASSOCIATED PRESS
626 words
17 August 2018
The New York Times
NYTF
Late Edition - Final
2
English

Stocks jumped Thursday as China and the United States said they will hold their first trade discussions in months, a potential sign of progress toward ending their trade war.

China will send a trade envoy to Washington later this month in a new attempt to end the trade dispute before it causes major damage to the global economy. The two sides have not talked since early June. Energy and metals prices and shares of industrial companies turned higher.

Walmart soared after reporting its strongest growth in sales in more than a decade. Other companies that make and sell basic necessities also rose.

Jason Draho, the head of asset allocation for UBS, said investors are eager for the two countries to start making progress and resolve their differences. He added that China may be changing course because its economy has slowed.

''The data we've seen from China recently has showed slowing growth,'' he said. ''It's possible they decided 'O.K., we need to take a different approach' and come to the table offering a little more.''

The **Standard & Poor's 500**-**stockindex** climbed 22.32 points, or 0.8 percent, to 2,840.69. The **Dow Jonesindustrial average** jumped 396.32 points, or 1.6 percent, to 25,558.73 as Walmart and Boeing made big gains. The **Nasdaq composite** rose 32.41 points, or 0.4 percent, to 7,806.52.

China and the United States have been in conflict for months over issues including Beijing's technology policy and its trade surplus with America. After the latest round of talks failed to produce much progress, both countries put taxes on $34 billion of each other's imports.

Those tariffs are set to rise next week, and both countries have threatened even larger increases as early as September.

Walmart posted its biggest gain in more than a decade in sales at stores open at least a year, and its online revenue grew 40 percent, a faster pace than it reported in the first quarter. The stock jumped 9.3 percent to $98.64, which wiped out its losses from earlier this year.

Other retailers and consumer goods companies also edged higher. Target added 1.7 percent to $82.07 and Procter & Gamble rose 1.7 percent to $83.69, while McDonald's climbed 1.2 percent to $161.73.

Banks rallied as interest rates increased. **Bond prices** turned lower again. The yield on the **10**-**year Treasury** note rose to 2.87 percent from 2.86 percent.

Oil prices were steady after a sharp drop a day earlier. United States crude inched up 0.7 percent to settle at $64.88 a barrel in New York. Brent crude, the standard for international **oil prices**, picked up 0.9 percent to $71.43 per barrel.

Gold dipped $1.30 to $1,176.20 an ounce. Silver rose 1.8 percent to $14.71 an ounce.

Stocks have swung wildly over the last week. Thursday marked the Dow's largest gain since April. The day before that, stocks took their biggest loss in six weeks.

Global markets slumped Friday and Monday as investors worried about Turkey's currency crisis, then rebounded Tuesday only to fall again Wednesday on rising concerns about China's economic growth.

The dollar rose to 110.88 yen from 110.57 yen. The euro rose to $1.1371 from $1.1343.

CHARTS: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Thursday. (Source: Reuters); Housing Construction: New private housing starts and permits authorized during the month, at a seasonally adjusted annual pace. (Source: Commerce Department)

Document NYTF000020180817ee8h0005l

The New York Times

Business/Financial Desk; SECTB
Apple's 2-Day Surge to Landmark Valuation Leads Broader Market Rally

By THE NEW YORK TIMES
513 words
3 August 2018
The New York Times
NYTF
Late Edition - Final
5
English

American stock markets slipped early Thursday after global markets were roiled by the latest twists in the trade war between the United States and China.

The **Standard & Poor's 500**-**stockindex**, **Nasdaq composite** and **Dow Jonesindustrial average** all declined in early trading, following losses in benchmark Asian and European indexes in the overnight session.

Foreign investors sold stocks following reports that Trump administration's proposed to more than double the proposed tariffs it has said it would levy on $200 billion worth of Chinese goods.

China's main **stock index** dropped 2 percent, and in Hong Kong, an index of China's biggest listed companies, ended down slightly more than that.

European stocks followed Asian markets, with indexes in Germany and Britain both edging lower.

Hours before, President Trump instructed the United States trade representative to look into increasing tariffs on Chinese imports like fish, handbags and other goods to 25 percent from 10 percent, a significant step in a dispute that is beginning to take a toll on industries and consumers in both countries.

''If it had not been for the sideswipe on trade, markets would have been in much better shape this week,'' Hirokazu Kabeya, chief global strategist at Daiwa Securities, told Reuters.

A final decision on the size and scope of the tariffs is not expected before September, but any tariffs on $200 billion worth of imports would come on top of the existing penalties on $34 billion worth of products and an additional $16 billion that are scheduled to go into effect soon.

China has vowed to respond to any trade measures in kind, and it has already imposed its own tariffs on $34 billion worth of American goods.

Also weighing on the markets in the region were rising United States bond yields. Yields on the **10**-**year Treasury** note, which rise as prices fall, was near 3 percent, the highest level in weeks. Rising yields could make dollar-backed debt costlier to repay, especially for emerging markets.

Investors often rush to the safety of government bonds in times of market turmoil. But a stretch of strong economic data reports in the United States has recently encouraged investors. The Federal Reserve, as it held its benchmark interest rate steady, said Wednesday that economic growth was ''solid.''

The same may not be as true for China.

On Tuesday, Chinese officials called for further government spending to offset a slowdown in China's economy, which has taken place as the government tries to rein in surging debt.

The Chinese currency was little changed on Thursday, but it fell to a 13-month low against the dollar earlier in the week.

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 Thursday. (Source: Reuters); Factory Orders: Manufacturers' total new orders, seasonally adjusted. (Source: Commerce Department)

Document NYTF000020180803ee830005i

International New York Times

business
Why a Trade Truce Could Add Almost $2 Trillion to the Stock Market

By PETER EAVIS
793 words
6 August 2018
International New York Times
INHT
English

The United States **stock market** might be worth nearly $2 trillion more if not for the trade war.

Consider that the cost that investors appear to be ascribing to President Trump's efforts to upend decades of trade relationships.

Typically, it's hard to know why stocks are up or down over short periods. And the 5.8 percent gain in the **Standard & Poor's 500-stockindex** this year might seem to be one of those inscrutable moves. But a closer look at the factors that usually drive the **stock market** suggests that the escalating trade tensions are holding stocks back.

Two things happened at the start of the year that worried investors. First, soon after the **S. & P. 500** hit an all-time high on Jan. 26, stocks plunged on fears that the Federal Reserve might raise interest rates more quickly than expected. Then, at the end of February, the Trump administration announced plans to impose tariffs on steel and aluminum, the first clear shot in the trade war.

Since then, neither the economy nor the Federal Reserve has sprung any nasty surprises. When investors dumped stocks in February, they were reacting to an unexpectedly strong number for wage growth. Since then, though, the economy has grown, adding on average 215,000 jobs per month, without an acceleration in wage growth, which investors track to gauge inflationary pressures. Friday's jobs report for July showed annual growth in wages of 2.7 percent, in line with the monthly average this year.

And the Fed does not appear to be a threat right now to the **stock market**. Investors expect the central bank to raise interest rates twice more this year rather than once, which hardly constitutes a slamming of the brakes. In fact, the Fed said Wednesday that its monetary policy was still set to ensure that the economy remained buoyant.

What is more, the bond market seems to agree that the economy can keep growing without a breakout in inflation. The yield on the **10-year Treasury** note was expected to trade at 3 percent or higher in the second half of this year as the economy picked up, according to The Wall Street Journal's Economic Forecasting Survey. But it has mostly traded below that threshold all year.

On their own, a steadily growing economy and relatively supportive Fed policies would normally provide a springboard for stocks. But investors have had another reason to bid stocks higher: Corporate earnings have been coming in stronger than expected.

So far, second-quarter earnings have exceeded Wall Street analysts' estimates for all 11 industry sectors of the **S. & P. 500**, according to researchers at BofA Merrill Lynch. Sales have surpassed estimates in nine sectors.

So to what degree have Mr. Trump's trade battles tainted the **bullish stock market** conditions?

One way to tell is to look at valuations, which reveal the underlying mood of investors. Right now, the **S. & P. 500** is trading at 16.6 times what analysts expect its companies to make over the next 12 months, according to data from FactSet. But in the three months before the trade tensions really heated up at the end of February, the **S. & P. 500** on average traded at 17.8 times earnings.

Applying that higher multiple to stocks today would take the index over 3,000 points. Such a rise — 7.5 percent from Friday's level — would add $1.8 trillion to the value of the **stock market**. The higher-than-expected corporate earnings would arguably support a higher valuation.

What happens next? While Mr. Trump appeared willing to forge some sort of trade truce with the European Union, his metals tariffs are still in place and the actions against China are escalating. A big test for investors comes next month, when the Trump administration might impose $200 billion of extra tariffs on China. Given their size, the **stock market** may actually fall if those go ahead.

If the Trump administration blinks and delays putting the tariffs into effect, it will signal a retreat from its plans to radically recast the United States' trade relations. But there could be a consolation prize: American investors may get to enjoy the nearly $2 trillion of gains that the trade war has apparently so far denied them.

PHOTO: Applying market multiples that prevailed before President Trump escalated his trade war via tariffs would push the current **Standard & Poor**'**s 500**-**stockindex** above 3,000 points. (PHOTOGRAPH BY TOM BRENNER FOR THE NEW YORK TIMES)

Document INHT000020180806ee860000n

The New York Times

Business/Financial Desk; SECTB
Currency Turmoil in Turkey Sends Markets Tumbling

By THE ASSOCIATED PRESS
803 words
11 August 2018
The New York Times
NYTF
Late Edition - Final
2
English

Stocks in the United States and Europe skidded on Friday as investors worried about the financial stability of Turkey and how it might affect the global banking system.

President Recep Tayyip Erdogan of Turkey has accumulated more and more control over the country's central bank as well as its financial system, which is now run by his son-in-law. Its currency is plunging, and Turkey is also in a diplomatic spat with the United States, a major trading partner.

Alex Dryden, global markets strategist for JPMorgan Asset Management, said that Mr. Erdogan showed no signs of changing course, and that investors were losing hope that Turkey's government has the knowledge or independence needed to deal with the country's financial problems.

''There was some hope that maybe they'd step back from the brink and you'd see a re-establishment of central bank independence,'' he said.

While Mr. Dryden and other analysts say Turkey's problems aren't a major risk to the financial system, investors didn't wait to find out on Friday.

They sold stocks and bought United States dollars and government bonds. The bond purchases sent interest rates lower, which hurt banks. The dollar got stronger, partly because the Turkish lira nose-dived, and major exporters like technology, basic materials and industrial companies sank.

The **Standard & Poor's 500-stockindex** slid 20.30 points, or 0.7 percent, to 2,833.28. That was its worst loss in a month and ended a five-week winning streak for the index by wiping out its gains from earlier this week.

The **Dow Jonesindustrial average** dropped 196.09 points, or 0.8 percent, to 25,313.14. The **Nasdaq composite** sank 52.67 points, or 0.7 percent, to 7,839.11. It had risen for eight days in a row.

The Russell 2000 index of smaller-company stocks took a smaller loss of 4.08 points, or 0.2 percent, to 1,686.80. The companies in that index are less reliant on exports, and the stronger dollar makes their imports less costly.

Investors are concerned about Mr. Erdogan's economic views. He says higher interest rates lead to higher inflation, the opposite of what standard economic theory says. As a result, he has pushed Turkey's central bank to keep interest rates low, threatening its independence and preventing it from shoring up the lira.

The United States is the biggest importer of Turkish steel, and President Trump said on Friday he would authorize higher tariffs on steel and aluminum from Turkey, a NATO ally. That sent the lira down even further. It's down 40 percent this year against the dollar.

The weakening lira has been pushing up the cost of goods for Turkish people and has damaged international investors' confidence in the country. Since some of Turkey's debt is in dollars, it's also making the country's financial situation worse.

European banks fell sharply. The United States-listed shares of Germany's Deutsche Bank lost 4.7 percent to $11.82, and Spanish Banco Santander fell 4.7 percent to $5.19.

Mr. Dryden, of JPMorgan Asset Management, said Mr. Erdogan had replaced independent advisers and leaders with relatives and supporters and set off a "gradual process of eroding economic credibility among financial and economic institutions."

Bond prices jumped. The yield on the **10**-**year Treasury** note fell to 2.87 percent from 2.93 percent. That helped send bank stocks lower. JPMorgan Chase slid 1 percent to $115.73, and Citigroup retreated 2.4 percent to $70.26.

Emerging market currencies fell, and the dollar increased. The ICE U.S. Dollar Index was already trading around annual highs, and it rose another 0.9 percent, a large move.

The euro fell to $1.1398, its lowest in more than a year, from $1.1542. The dollar fell to 110.64 yen from 111.04 yen after a strong economic growth report form Japan.

Germany's DAX fell 2 percent, and the CAC 40 in France fell 1.6 percent. Britain's FTSE 100 lost 1 percent. The Nikkei 225 index in Japan lost 1.3 percent. Hong Kong's Hang Seng gave up 0.8 percent. In South Korea, the Kospi lost 0.9 percent.

Energy companies rose slightly as **oil prices** increased. Benchmark U.S. crude oil rose 1.2 percent to $67.63 a barrel in New York, and Brent crude rose 1.1 percent to $72.83 a barrel in London.

Gold dipped 0.1 percent to $1,219 an ounce.

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 WALL STREET JOURNAL.
U.S. EDITION

Investing In Funds & ETFs: A Monthly Analysis --- The Eight Best Predictors Of the Long-Term Market Indicators --- Here are the stock indicators with enviable track records -- and the cautionary tale that they tell

By Mark Hulbert
1,500 words
6 August 2018
The Wall Street Journal
J
R1
English

The stock market's return over the next decade is likely to be well below historical norms.

That is the unanimous conclusion of eight stock-market indicators with what I consider the most impressive track records over the past six decades. The only real difference between them is the extent of their bearishness.

Of course, it is impossible to say that there aren't other indicators with even better long-term records than these eight. But I'm not aware of any.

To illustrate the bearish story told by each of these indicators, consider the projected 10-year returns to which these indicators' current levels translate. The most bearish projection of any of them was that the S&P 500 would produce a 10-year total return of 3.9 percentage points annualized below inflation. The most bullish was 3.6 points above inflation.

Even the bullish end of that range is more than 3 annualized percentage points below the stock market's inflation-adjusted return over the past 200 years.

The most accurate of the indicators I studied was created by the anonymous author of the blog Philosophical Economics. It is now as bearish as it was right before the 2008 financial crisis, projecting an inflation-adjusted S&P 500 total return of just 0.8 percentage point above inflation. Ten-year Treasurys can promise you that return with far less risk.

The only other time it was more bearish (during the period since 1951 for which data are available) was at the top of the internet-stock bubble.

The blog's indicator is based on the percentage of household financial assets -- stocks, bonds and cash -- that is allocated to stocks. This proportion tends to be highest at market tops and lowest at market bottoms.

According to data collected by Ned Davis Research from the Federal Reserve, this percentage currently looks to be at 56.3%, more than 10 percentage points higher than its historical average of 45.3%. At the top of the bull market in 2007, it stood at 56.8%.

Ned Davis, the eponymous founder of Ned Davis Research, calls the indicator's record "remarkable." I can confirm that its record is superior to seven other well-known valuation indicators analyzed by my firm, Hulbert Ratings.

To figure out how accurate an indicator has been, we calculated a statistic known as the R-squared, which ranges from 0% to 100% and measures the degree to which one data series explains or predicts another.

In this case, zero means that the indicator has no meaningful ability to predict the stock market's returns after inflation over the next 10 years. On the other hand, a reading of 100% would mean that the indicator is a perfect predictor.

Since 1954, according to our analysis, the Philosophical Economics indicator had an R-squared of 61%. In the messy world of stock-market prognostication, that is statistically significant. Our analysis begins in that year because that is the earliest date for which data are available for all of the other indicators that we studied.

So, here's a look at those other indicators back to the 1950s, listed in descending order of their R-squareds:

The Q ratio, with an R-squared of 46%. This ratio -- which is calculated by dividing market value by the replacement cost of assets -- was the outgrowth of research conducted by the late James Tobin, the 1981 Nobel laureate in economics.

The price/sales ratio, with an R-squared of 44%, is calculated by dividing the **S&P 500**'s price by total per-share sales of its 500 component companies.

The Buffett indicator was the next-highest, with an R-squared of 39%. This indicator, which is the ratio of the total value of equities in the U.S. to gross domestic product, is so named because Berkshire Hathaway Inc.'s Warren Buffett suggested in 2001 that is it "probably the best single measure of where valuations stand at any given moment."

CAPE, the cyclically adjusted price/earnings ratio, came next in the ranking, with an R-squared of 35%. This is also known as the Shiller P/E, after Robert Shiller, the Yale finance professor and 2012 Nobel laureate in economics, who made it famous in his 1990s book "Irrational Exuberance."

The CAPE is similar to the traditional P/E except the denominator is based on 10-year average inflation-adjusted earnings instead of focusing on trailing one-year earnings.

Dividend yield, the percentage that dividends represent of the **S&P 500 index**, sports an R-squared of 26%.

Traditional price/earnings ratio has an R-squared of 24%.

Price/book ratio -- calculated by dividing the **S&P 500**'s price by total per-share book value of its 500 component companies -- has an R-squared of 21%.

According to various tests of statistical significance, each of these indicators' track records is significant at the 95% confidence level that statisticians often use when assessing whether a pattern is genuine.

However, the differences between the R-squareds of the top four or five indicators I studied probably aren't statistically significant, I was told by Prof. Shiller. That means you're overreaching if you argue that you should pay more attention to, say, the average household equity allocation than the price/sales ratio.

What do the bulls say about all this? To find out, I turned to Jeremy Siegel, a finance professor at the Wharton School of the University of Pennsylvania.

Prof. Siegel is perhaps best known as the author of "Stocks for the Long Run," in which he argues that buying and holding equities for the long term is the best advice for most investors.

In an interview, Prof. Siegel questioned the strength of these indicators' statistical foundation. He says their historical records contain peculiarities that traditional statistical tests don't adequately correct for. Once corrected, Prof. Siegel suspects that their R-squareds would be significantly lower.

Prof. Siegel also questions whether these indicators are really as **bearish** as they seem. Among the theoretical objections he lodged against these indicators:

Accounting-rule changes in the 1990s. After those changes, he says, readings from the traditional P/E and the Shiller P/E were higher than before, so their recent levels aren't particularly comparable to those from previous decades.

The Buffett indicator has lost any relevance it may have once had because of the increasing proportion of U.S. corporate sales coming from overseas. That dynamic also artificially inflates the indicator and makes it appear more **bearish** than it should be, Prof. Siegel says.

The Q ratio provided insight at a time when our economy was dominated by capital-intensive manufacturing companies, but not when it is dominated by high-tech information-age firms.

"What is the replacement cost for a Google or a Facebook?" Prof. Siegel asks rhetorically.

It can't be determined, however, whether correcting for these issues would transform the message of any of these indicators from **bearish** to outright **bullish**. Prof. Shiller of Yale, for one, says he isn't aware of any indicator that currently is forecasting above-average returns over the next decade and sports a statistically significant record back to at least the 1950s.

Regardless, it is important to emphasize that, no matter how impressive the statistics underlying the indicators may be, they don't amount to a guarantee that the **stock market** will struggle over the next decade.

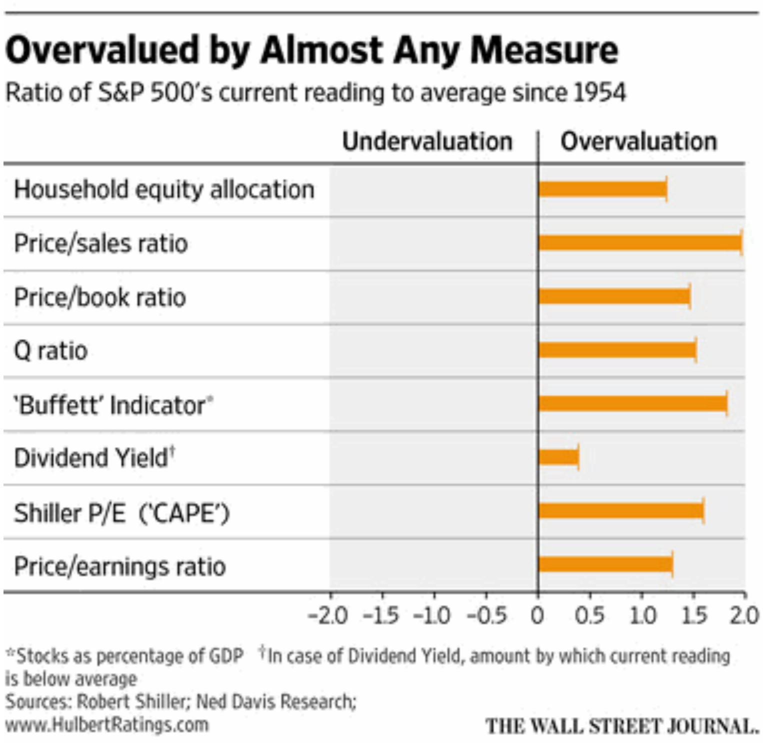
After all, as Prof. Siegel reminds us, most of these indicators have been **bearish** for years now, even as stocks have enjoyed one of the most powerful bull markets in history.

Furthermore, even if stocks turn out to be lower in a decade's time, none of these indicators tells us anything about the path that the market takes along the way. It might immediately head south from here, or it could enter a blowoff phase of sharply higher prices before succumbing to a severe **bear market**.

Calling short-term trends is difficult, if not impossible. For instance, when it comes to calling one-year returns, Prof. Shiller said in an interview that he doesn't know of any valuation indicator with a record extending as far back as the 1950s whose predictive power is significantly better than zero.

Ben Inker, co-head of the asset-allocation team at GMO, draws an analogy to a leaf in a hurricane: "You have no idea where the leaf will be a minute or an hour from now. But eventually gravity will win out, and it will land on the ground."

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 New York Times

STOCKS & BONDS
Business/Financial Desk; SECTB
Another Record Day for the Indexes, Not Counting the Dow

By THE ASSOCIATED PRESS
997 words
29 August 2018
The New York Times
NYTF
Late Edition - Final
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English

Major U.S. stock indexes wobbled and finished mostly higher Tuesday, led by technology companies and a handful of retailers.

The gains were enough to mark more record highs for several of the indexes, though not the **Dow Jones Industrial Average**.

Trading was lighter than usual, and stocks flipped between small gains and small losses for most of the day.

Outside of technology and retail, most other stocks finished lower. Energy companies dipped along with **oil prices**, and an increase in bond yields dented high-dividend stocks like utilities and phone companies, which investors tend to buy when they are seeking income.

Canada's foreign minister arrived in Washington to resume trade talks Tuesday, a day after stocks rose on news that the Trump administration had reached a preliminary deal with Mexico to replace the North American Free Trade Agreement.

"If we do get a new agreement in North America with lower overall tariffs or trade restrictions, long-term that's a pretty positive result," said Jim Paulsen, chief investment strategist for the Leuthold Group.

The **S&P 500 index** rose 0.78 points to 2,897.52. The **Dow Jones Industrial Average** rose 14.38 points, or 0.1 percent, to 26,064.02. The **Nasdaq composite** gained 12.14 points, or 0.2 percent, to 8,030.04.

The Russell 2000 index of smaller-company stocks inched up 0.02 point to 1,724.42.

The **S&P 500**, **Nasdaq** and Russell all closed at record highs. More stocks fell than rose on the New York Stock Exchange.

Shoe retailer DSW surged 20.2 percent to $32.70 after reporting second-quarter results that were far stronger than analysts expected. Sales surpassed Wall Street forecasts, and the company raised its estimates for the rest of the year.

Tiffany did the same and its stock added 1 percent to $131.07. Like many other retailers, their stocks had slumped in recent years due to growing competition from online retailers and sinking sales in stores.

Retail stocks have climbed recently as they improved their online businesses. DSW has risen 53 percent in 2018 and Tiffany has rallied 26 percent. When the companies fall short of expectations, however, their stocks have plunged.

That happened to Macy's, Gap and J.C. Penney in the second quarter. And on Tuesday Best Buy fell 5 percent to $77.57 after issuing a disappointing forecast for the current quarter.

Apple added 0.8 percent to $219.70 as technology companies, the most valuable part of the **S&P 500**, did better than the rest of the market. Chipmaker Xilinx rose 2.3 percent to $76.99 and Qualcomm gained 3.6 percent to $69.78.

The dollar continued to slip as investors reacted to signs the U.S. was making progress in resolving some of its trade disputes. The Trump administration has announced numerous tariffs this year, and those tariffs have made the dollar stronger.

The dollar rose to 111.21 yen from 111.10 yen. The euro rose to $1.1696 from $1.1680.

While some experts think stocks could rally if the U.S. and its partners make progress on new trade deals, Paulsen said there might not be a big market reaction because it's not clear how much trade tensions have actually harmed stocks this spring and summer.

Bond prices fell. The yield on the **10**-**year Treasury** note rose to 2.88 percent from 2.85 percent.

High dividend stocks including utilities, phone companies and household goods makers lagged the rest of the market, as they did on Monday.

Campbell Soup lost 2.1 percent to $39.83 after the New York Post reported that the company is wrapping up a strategic review and is unlikely to try to sell itself. Campbell announced the review in May along with the departure of CEO Denise Morrison.

The Post reported in July that activist investor Daniel Loeb is pushing the company to sell, and if it decides not to do that, he could launch a bid for control of the company.

News and financial information company Thomson Reuters jumped 3.2 percent to $44.66 after it announced an offer to buy back up to $9 billion in company stock. It offered to pay between $42 and $47 a share.

Akcea Therapeutics plunged 25.3 percent to $24.73 and Ionis Pharmaceuticals dropped 15.9 percent to $45.17 after the Food and Drug Administration didn't approve their drug Waylivra. It's designed to treat a rare genetic condition that can causes fatal pancreatitis.

Benchmark U.S. crude dipped 0.5 percent to $68.53 a barrel in New York while Brent crude, used to price international oils, fell 0.3 percent to $76 a barrel in London.

Wholesale gasoline lost 0.5 percent to $2.08 a gallon. Heating oil gave up 0.2 percent to $2.21 a gallon. Natural gas fell 0.8 percent to $2.85 per 1,000 cubic feet.

Gold fell 0.1 percent to $1,214.40 an ounce. Silver lost 0.6 percent to $14.77 an ounce. Copper gained 1 percent to $2.74 a pound.

France's CAC 40 rose 0.1 percent while Germany's DAX lost 0.1 percent. Britain's FTSE 100 jumped 0.5 percent.

Japan's benchmark Nikkei 225 rose 0.1 percent. South Korea's Kospi edged up 0.2 percent and Hong Kong's Hang Seng added 0.2 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 New York Times

Business Day
Bull Market Hits a Milestone: 3,453 Days. Most Americans Aren't at the Party.

By Matthew Phillips
1,305 words
22 August 2018
05:00 AM
NYTimes.com Feed
NYTFEED
English

The party has been going for more than a decade. But a lot of Americans haven't been celebrating.

Stocks crossed a major threshold on Wednesday, when the 10-year-old **bull market** arguably became the longest on record.

It ranks among the great booms in American market history. The **Standard & Poor**'**s 500**-**stockindex** has soared more than 320 percent since emerging from the rubble of the financial crisis in March 2009, creating more than $18 trillion in wealth.

But the gains haven't been spread among the masses. **Stock market** wealth is heavily concentrated among the richest families.

As the **stock market** surged, prices for homes — the most important source and store of wealth for the American middle class — recovered much more slowly from the Great Recession and housing bust. Incomes, too, have only recently surpassed pre-crisis levels, despite steady economic growth in recent years.

"This is the decade in which wealth inequality has increased the most in U.S. history," said Moritz Schularick, a professor of economics at the Bonn Graduate School of Economics in Germany who has written about the distribution of wealth in the United States. "The driver has been the very unequal gains in the very sharp performance of the **stock market** relative to the sharp drop of the housing market."

There is some debate over whether this **bull market** technically deserves the award for the longest on record. Bull markets are defined as a stretch when the **stock market** rises without suffering a 20 percent drop.

At issue is a market run from October 1990 to March 2000, a 3,452-day period that was preceded by a slump of 19.92 percent. Wednesday, despite the **S**. **& P**. **500**'s ticking down 0.04 percent, was the current upswing's 3,453rd day.

Statistical sticklers, though, don't round up, in which case that earlier boom started in December 1987 — a 4,494-day stretch that would retain the crown.

In terms of staying power, the current **bull market** has some advantages over past sprees, when a surging **stock market** fused financial speculation into the fabric of American life.

In the 1920s, Americans dived into the market to snap up shares of a range of companies churning out the technological marvels of the day, like automobiles and radios. In the 1980s, as the country recovered from a deep recession, Wall Street enjoyed a broad boom grounded in Reagan-era deregulation and economic growth.

In the 1990s, retail investors poured their money into high-flying, and in many cases profit-free, companies developing around the emerging technology known as the internet. And in the years before the financial crisis of 2008, the stock boom was coupled with the excesses of the housing market and Wall Street.

"You were in some sort of a dreamy state, and it couldn't last," Allen Sinai, chief economist at the consulting firm Decision Economics and a former chief economist at Lehman Brothers, said of the dot-com era. "The taxi drivers, the elevator operators, everybody was into the **stock market** and buying. It was euphoria."

“Today the sentiment that’s out there is actually more to the opposite,” he added. “It’s cautious. It’s careful. ‘Recession is coming tomorrow. How long can this go on?’”

It’s a natural question to ask. Those euphoric periods ended in spectacular **stock market** crashes, in 1929, 1987 and the early 2000s and during the financial crisis.

But the same frothiness doesn’t exist now, suggesting there is little immediate risk that the market will do a 180.

Price-to-earnings ratios, a proxy of investor enthusiasm, are nowhere near the peaks seen during the dot-com boom.

The share of the American public that has any money in the **stock market** remains mired well below the level that prevailed before the financial crisis. It’s concentrated among the wealthy, with the top 10 percent owning roughly 84 percent of the value of all shares, according to research by Edward Wolff, a professor of economics at New York University who studies the wealth structure of the American population. It was 81 percent in 2007.

Even as the **S**. **& P**. **500** charges higher, retail investors continue to exit the equity markets. Between mid-March and late July, investors pulled some $40 billion out of American mutual funds and exchange-traded funds, while pumping some $80 billion into the safety of bond funds, according to Bespoke Investment Group, a **stock market** research firm.

“For most of this **bull market**, the individual investor has largely sat out,” said Paul Hickey, a co-founder of Bespoke. “Compared to the 1990s, when individual investors were actively looking for stock ideas, today there’s a lot less of that.”

As many people sit on the sidelines, the divergence between the wealthy and the rest of the country has widened. In 2016, the last year with solid data, the wealth of the median American household — which is heavily concentrated in the home itself — was 34 percent below where it was just before the Great Recession, according to research from Mr. Wolff.

That’s not to say the average American is in an especially sour mood. Consumers in the United States are feeling good at the moment — and for good reason. At 3.9 percent, unemployment is near an 18-year low. The economy grew at an annual pace of 4.1 percent in the second quarter, the fastest clip since 2014.

And that economic strength — along with the deep cuts in corporate tax rates that President Trump signed into law in late 2017 — has translated into gushers of profits for large American companies. Second-quarter profits for companies in the **S**. **& P**. **500** are up roughly 25 percent compared with a year earlier, after a similar rise in the first quarter.

The boom in earnings has helped the markets fend off various economic and geopolitical concerns.

After peaking in late January, stocks plummeted by more than 10 percent in the following weeks on worries that the Federal Reserve would begin to raise interest rates at a faster cadence than previously expected, choking off growth. Then in March, the eruption of the trade war sent shares sharply lower again.

The jitters touched even the large technology firms that have been a bulwark of the rally. In July, Facebook shares collapsed after a disappointing earnings report showed slowing user growth. The decline vaporized roughly $120 billion from the social media giant’s market value in a single day.

More recently, the nose-dive of the Turkish lira and signs of weakness in the Chinese economy raised the prospect that problems in emerging markets could hamper global growth.

But for many seasoned **stock market** observers, the existence of continuing worries about whether the **bull market** can last is a strong piece of evidence that it can.

According to this line of thinking, the moment to worry is when there is broad agreement that the market can only go higher. That would suggest there is little fresh money available to drive stocks to new heights.

“When the bears give up, that’s when I would start to worry,” said Laszlo Birinyi, who started analyzing the **stock market** for the storied New York investment firm Salomon Brothers in 1976, before founding his own **stock market** research firm, Birinyi Associates. “And we’re not there.”

* The **Stock Market** Is Shrinking. That’s a Problem for Everyone.

* Apple’s $1 Trillion Milestone Reflects Rise of Powerful Megacompanies

* Apple Is Worth $1,000,000,000,000. Two Decades Ago, It Was Almost Bankrupt.

Traders working on the floor of the New York Stock Exchange on Tuesday. | Brendan McDermid/Reuters

Document NYTFEED020180822ee8m0020g

Business Day
S.&P. Closes at a Record, as Profits Defy Turmoil

By Matthew Phillips
899 words
24 August 2018
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NYTimes.com Feed
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English

For much of the year, the **stock market** has been on the ropes. Trade wars have erupted, the Federal Reserve raised rates, emerging market currencies collapsed, and major technology firms faced regulatory scrutiny — and, in the case of Amazon, presidential broadsides via messages on Twitter. Investors quailed at times, sending stocks down by as much as 10 percent.

But the nine-year-old **bull market** never completely crumbled. By April, stocks had started a fresh climb. And after a 0.6 percent rise on Friday, the **Standard & Poor**'**s 500**-**stockindex** closed at a record high of 2,874.69 points, reflecting investor faith in a single fundamental fact: Big American companies are making lots of money.

"We've had record earnings growth, we've had record numbers of earnings and sales beats," said Savita Subramanian, chief United States equity strategist for Bank of America Merrill Lynch. "Basically the fundamentals couldn't look better."

Because owners of stock are entitled to a share of the money a company makes, corporate profits are a key ingredient of **stock market** rallies. And profits for companies in the **S**. **&P**. **500** were up roughly 25 percent in the second quarter, after a surge of 27 percent in the first quarter, according to data from Thomson Reuters I/B/E/S.

About 80 percent of companies reported results that were better than Wall Street analysts expected. (In a typical quarter, some 64 percent of companies outperform the analysts' predictions.) This year's crop of quarterly earnings has been the best since 2010, when the American economy was just emerging from the recession that ended the previous year, making big leaps in annual profit growth much easier.

The current rosy profit picture shouldn't be surprising. The Trump administration's deep tax cuts that went into effect in January reduced corporate tax expenses sharply and raised profitability almost automatically. But other metrics — such as sales growing at an annual rate of more than 9 percent in the second quarter — suggest that corporate America is riding a robust American economy. The unemployment rate is near 18-year lows. Gross domestic product expanded by 4.1 percent in the second quarter, the fastest pace since 2014.

"It's a 3-percent-plus growth world, and that's because the fundamentals underlying consumer spending, underlying business spending, underlying our manufacturing sector are in superb shape," said Allen Sinai, chief economist at Decision Economics, a consulting firm.

Since the bulk of companies began reporting their quarterly results in July, that upward economic pressure has erupted in gushers of profits, especially at some of the giant technology-centered firms that have been hugely influential in determining how the stock markets move.

Amazon reported a $2.53 billion quarterly profit, its largest ever. Microsoft notched $8.87 billion in earnings, beating estimates. Apple's quarterly profit jumped 32 percent to $11.52 billion, beating Wall Street expectations and pushing the company's market value above $1 trillion, a milestone that no American company had ever reached before.

The earnings boom has also reached far beyond tech. Earnings at financial firms jumped more than 27 percent. Quarterly profits at industrial companies rose 20 percent.

Even the retail sector, which has been squeezed by online competition and soft prices in recent years, is enjoying a respite. Home Depot raised earnings and sales targets for the year. Walmart reported better-than-expected earnings, including a 40 percent rise in online sales in the United States. And Target said quarterly sales at stores it had previously opened rose at the fastest pace in 13 years, sending its stock to a record high.

There could be more market gains to come. From the bargain hunter's perspective, the combination of blockbuster profits and a prolonged **stock market** soft patch for much of the year, means that stocks — compared to their earnings — are significantly cheaper than they were earlier this year.

A key valuation measure, the price of the **S**. **& P**. **500 index** compared with analyst estimates for corporate earnings over the next 12 months, has fallen this year. Some observers see that as a positive sign, indicating that the rising market over the last few months has been fueled by solid earnings growth, rather than wild optimism by **stock market** investors.

On the other hand, the **stock market** is by no means dirt cheap, as it was in the aftermath of the financial crisis. And there are plenty of risks that could still derail the recent rally, from disorderly decline of some emerging markets, such as Turkey, to the continuing fallout from trade tensions between the United States and other large economies.

"The big talk on the street is obviously trade and China," said Dubravko Lakos-Bujas, head of United States equity strategy at J. P. Morgan Securities.

On the other hand, Mr. Lakos-Bujas thinks that a resolution of the trade fight between the world's two largest economies, could generate a pop in the **stock market**, by removing a risky overhang clouding an otherwise bright picture. The American economy, he says, is in something of a sweet spot, with strong growth, low unemployment, low inflation and high corporate profits.

"In this kind of environment, generally, risk assets such as equities, they tend to do well," he said.

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The New York Times

STOCKS & BONDS
Business/Financial Desk; SECTB
Apple Soars, but Industrial Firms Pull Market Down

By THE ASSOCIATED PRESS
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2 August 2018
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5
English

Apple surged to its biggest gain in a year and a half Wednesday and drew closer to $1 trillion in value after it reported stronger iPhone sales and rising prices. But losses for energy and industrial companies left major stock indexes lower.

Already the most valuable company in the U.S., Apple was the biggest gainer of any **S&P 500** stock Wednesday and the technology giant finished at another record high.

That made up for a lot of losses elsewhere in the market. Investors sold industrial stocks following reports that the Trump administration is considering a higher tax rate on Chinese imports. Energy and materials companies fell with the price of oil, and metals and car companies also declined.

After the close of trading, the administration said it might put a 25 percent tax on $200 billion in imports from China. It proposed a 10 percent tax in July, shortly after it placed a 25 percent tax on $34 billion worth of imports. China again threatened to retaliate.

China can't match the size of the tariffs the U.S. could put on Chinese exports. But Katie Nixon, chief investment officer for Northern Trust Wealth Management, said the Chinese government is already reacting to the new tariffs and the larger proposed ones by pumping more money into the economy and weakening its currency.

"They're sending a strong signal that they cannot just withstand (tariffs), but they can manage through a period of turmoil related to the negotiations," Nixon said.

The **S&P 500 index** slid 2.93 points, or 0.1 percent, to 2,813.36. The **Dow Jones Industrial Average** lost 81.37 points, or 0.3 percent, to 25,333.82.

The **Nasdaq composite** added 35.50 points, or 0.5 percent, to 7,707.29, but the Russell 2000 index of smaller-company stocks lost 1.54 points, or 0.1 percent, to 1,669.26. Almost two-thirds of the stocks on the New York Stock Exchange traded lower.

The **S&P 500 index** rose 3.6 percent in July in spite of the trade war between the U.S. and China. The markets got a lift from strong company earnings as well as efforts by the U.S. and European Union to resolve their trade differences.

As expected, the Federal Reserve left interest rates unchanged, but suggested it's likely to raise rates again in September. High-dividend stocks like consumer products makers sank as bond yields increased. Automakers fell as they reported their monthly sales and Ferrari plunged after it said it might not make some of the profit goals laid out by Sergio Marchionne, its late former CEO.

Apple said the average selling price for the iPhone jumped 20 percent in its latest quarter and its third-quarter profit and sales both surpassed analyst projections. Apple's third fiscal quarter is usually its weakest. The company's forecast for fourth-quarter revenue also topped Wall Street estimates.

Apple surged 5.9 percent to $201.50. That gives the company a value of $973 billion, based on its latest quarterly filing.

The Federal Reserve left interest rates unchanged and suggested it plans to keep raising rates as long as the economy stays healthy. The central bank noted the labor market continues to get stronger and the economy is growing at a strong clip, while inflation has reached its target of 2 percent a year.

Automakers mostly slid. Ferrari dropped 11 percent to $118 after new CEO Louis Camilleri warned that the company might not be able to reach the revenue targets outlined by Marchionne.

Industrial companies changed course again and took sharp losses.

Bond prices sank. The yield on the **10**-**year Treasury** note rose to 3 percent from 2.96 percent.

Higher yields force interest rates on mortgages and other loans higher, making it more profitable for banks to lend money. However rising yields drew investors to bonds and away from high-dividend stocks like consumer goods makers.

SodaStream jumped 26.3 percent to $110.30 after the maker of beverage carbonation systems raised its annual forecasts following a strong quarterly report. Clothing maker Hanesbrands plunged 19.3 percent to $17.96 after it posted a smaller-than-expected profit and said Target won't renew a contract for an exclusive line of Champion clothing when the deal expires in January 2020.

Benchmark U.S. crude dropped 2 percent to $67.66 per barrel in New York. Brent crude, used to price international oils, fell 2.5 percent to $72.39 per barrel in London.

Wholesale gasoline sank 1.7 percent to $2.05 a gallon. Heating oil gave up 1.9 percent to $2.10 a gallon. Natural gas dipped 0.9 percent to $2.76 per 1,000 cubic feet.

The price of gold gave up 0.5 percent to $1,227.60 an ounce. Silver fell 0.7 percent to $15.45 an ounce and copper plunged 3 percent to $2.75 a pound.

The dollar fell to 111.56 yen from 111.83 yen. The euro slipped to $1.1664 from $1.1697.

Britain's FTSE 100 dropped 1.2 percent and Germany's DAX fell 0.5 percent. The French CAC 40 dipped 0.2 percent.

Japan's Nikkei 225 index rose 0.9 percent and South Korea's Kospi added 0.5 percent. In Hong Kong, the Hang Seng index dropped 0.9 percent.

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

The New York Stock Exchange, where almost two-thirds of stocks traded lower on Wednesday. (PHOTOGRAPH BY BRYAN R. SMITH/AGENCE FRANCE-PRESSE -- GETTY IMAGES) CHARTS: The **S**. **& P**. **500 Index**: Position of the **S**. **& P**. **500 index** at 1-minute intervals on Wednesday. (Source: Reuters); Construction Spending: Total construction spending at a seasonally adjusted annual rate. (Source: Commerce Department)

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THE WALL STREET JOURNAL.

Markets

S&P 500 Tiptoes to New Bull Market Record—Sort Of; For now, current bull market has surpassed previous record by one day

By Michael Wursthorn
676 words
22 August 2018
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The Wall Street Journal Online
WSJO
English

A day later, the debate about the longest-ever **S&P 500** rally is alive and well.

The **S&P 500** has been in a "**bull market**" for 3,453 days, meaning it is at least 20% above a previous low and hasn't suffered a 20% decline from a record high in almost 10 years.

For now, that is a day longer than the previous record **bull market**—the one that ended in March 2000 with the collapse of the tech bubble—according to S&P Dow Jones Indices.

But the case isn't quite closed yet. In the argot of the **stock market**, the latest **bull market** hasn't yet been "confirmed" by a record closing high. The **S&P 500** hit a new all-time intraday record on Tuesday at 2873.23, but many analysts view a closing record as the relevant standard. That would be the Jan. 26 close of 2872.87, about 10 points north of where the index closed on both Tuesday and Wednesday.

This all might seem impossibly arcane, but there is some small part of financial history at stake. In the (for now) unlikely event that the **S&P 500** drops 20% before it reaches a new closing high, the current **bull market** that started in March 2009 will be rolled back and judged retrospectively to have ended with the last record close, said Howard Silverblatt, a senior index analyst with S&P Dow Jones Indices. That would shave 208 days from the current bull and restore the 1990-2000 run as the longest **bull market** in history.

Other market participants view intraday data as sufficient for settling these sorts of debates, reasoning that the longstanding reliance on closing data is a relic of years past in which few had access to real-time data and powerful computers weren't widely available to quickly spit out historical factoids and comparisons with previous periods.

They contend the **S&P 500** intraday record Tuesday stands and that even if the index now drops 20% over coming days, months and years, it would be tied for first with the bull run of the 1990s.

It isn't unusual for the index hit several intraday records and fail to clinch a new closing high before sliding into **bear-market** territory. In 2007, for example, the **S&P 500** reached a closing high of 1565.27 on Oct. 9, and proceeded to hit two more intraday records in the ensuing days. But the index went on to fall 56% over the next year-and-a-half as the financial crisis deepened, and the **S&P 500** wouldn't hit another closing record until March 28, 2013.

Fresh records aren't the only difficulty in defining a **bull market**. Some analysts and investors argue that the bull run from 2009 was interrupted in 2011, when the **S&P 500** fell more than 20% between April and October on an intraday basis but just shy of that on a closing basis. Others contend that the current **bull market** didn't actually start until 2013 with the index's new high.

That isn't to say the current **bull market** won't ultimately prevail. While seven months without a record close is the **S&P 500**'s longest dry spell in two years, analysts remain **bullish** on the market: The U.S. economy is booming after a year of mostly solid global growth, strong corporate earnings and consumer-boosting tax cuts. The **S&P 500** is up 7% this year despite escalating trade tensions and tightening Federal Reserve policy.

"The market has managed to shrug off all of these negatives easily," said Michael O'Rourke, chief market strategist at JonesTrading. "The fear of missing out on this rally is real. The market has managed to defy gravity so far."

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THE WALL STREET JOURNAL.
U.S. EDITION

Bull Market Set to Become Longest

By Michael Wursthorn and Akane Otani
1,074 words
22 August 2018
The Wall Street Journal
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A1
English

U.S. stocks are on the verge of surpassing their longest-running rally, ratifying a market rebound that began in the ashes of the financial crisis and defying those who have questioned its staying power.

Wednesday will mark 3,453 days since the **S&P 500** hit its low of 666 on March 9, 2009. Since then, the broadest U.S. blue-chip index has more than quadrupled in price terms, creeping within striking distance of its January record and outpacing most rival major global indexes.

The S&P tied the length of the longest bull run -- set between 1990 and 2000 -- on Tuesday after the index rose to its first intraday record in nearly seven months. The S&P pared those gains later in the session to close up 0.2% at 2862.96, putting it just 0.3% from its previous closing high, 2872.87, set Jan. 26. The **Dow Jones Industrial Average** rose 63.6 points, or 0.2%, to 25822.29.

Tuesday's intraday S&P record shows the U.S. stock advance remains intact after nearly seven months of mostly sideways trading, traders and analysts said. The latest leg of the bull run for the S&P has been driven by booming economic growth in the U.S., as well as renewed strength in quarterly corporate earnings. Investors have also bet that the global economy will continue to expand at a steady pace even amid turbulence in some emerging markets such as Turkey and Venezuela.

The largest advances in recent months and years have been concentrated in the U.S. technology companies that have practically become synonymous with technical prowess and business dominance, notably Apple Inc., Amazon.com Inc. and Google parent Alphabet Inc.

The gains, aided by the U.S. corporate tax cut in December, deliver a rebuttal to skeptics who have argued that everything from a slowdown in China's growth to rising U.S. interest rates to intensifying trade tensions would dash the market's run. In the view of many portfolio managers and others, the ruddy health of the U.S. tech industry and the broad strength of the domestic economy likely point to continued increases for stock prices in the coming quarters, even if high valuations are likely to limit the scope of any rise.

"Companies are tearing it up," said Don Townswick, director of equity strategies at Conning & Co. "It's quite possible to see the market continue to do well."

Few investors would have bet that the longest **bull market** in U.S. history would follow on the heels of the worst financial crisis since the Great Depression. A decade ago, storied investment firms like Bear Stearns and Lehman Brothers disappeared, while others including Merrill Lynch were sold under intense market pressure. Many analysts and investors believed in March 2009 that, even with broad market indexes down 40% and more from their peaks 18 months earlier, worse tidings were yet to come.

Instead, the economy struggled back to its feet over a period of years. Investment flows inevitably shifted away from a hamstrung financial industry toward fast-growing, consumer-facing technology companies that were devising products that managed to change everything from the ways people shopped for clothes to how they communicated with one another. One investor favorite of the current rally, Facebook Inc., didn't enter public markets until 2012. Its shares are up nearly fivefold since its market debut.

The current rally isn't the hottest. The previous record S&P **bull market** that ended with the tech bust in March 2000 rose 417% over 3,452 days -- far above the current rally's 323%. The current rally is the third-longest in the Dow industrials, after bull markets that ended in 1961 and 1929, according to Dow Jones Market Data.

One test of the current **bull market**, investors and executives said, is whether popular tech companies will be able to continue to justify the massive sums invested in them amid intense competition, fickle consumer taste and Wall Street's notoriously imperfect efforts to predict broad trends.

Companies in the **S&P 500** technology sector make up 22% of the current **bull market**'s return, according to S&P Dow Jones Indices, with Apple alone accounting for 4.1% of the gain. Four companies -- Amazon, Microsoft Corp., Apple and Netflix Inc. -- account for 40% of the **S&P 500**'s nearly 7% gain for the year, S&P Dow Jones Indices said.

Skeptics note that the leading shares in previous expansions, communications companies in 2000 and banks in 2008, fared poorly in the subsequent downdraft.

What's more, with the Federal Reserve gradually raising interest rates and unwinding a decade of easy-money policies enacted after the crisis, many investors believe shares trading at high price/earnings multiples -- as many of the largest tech stocks are -- will prove vulnerable to a reassessment of future return prospects.

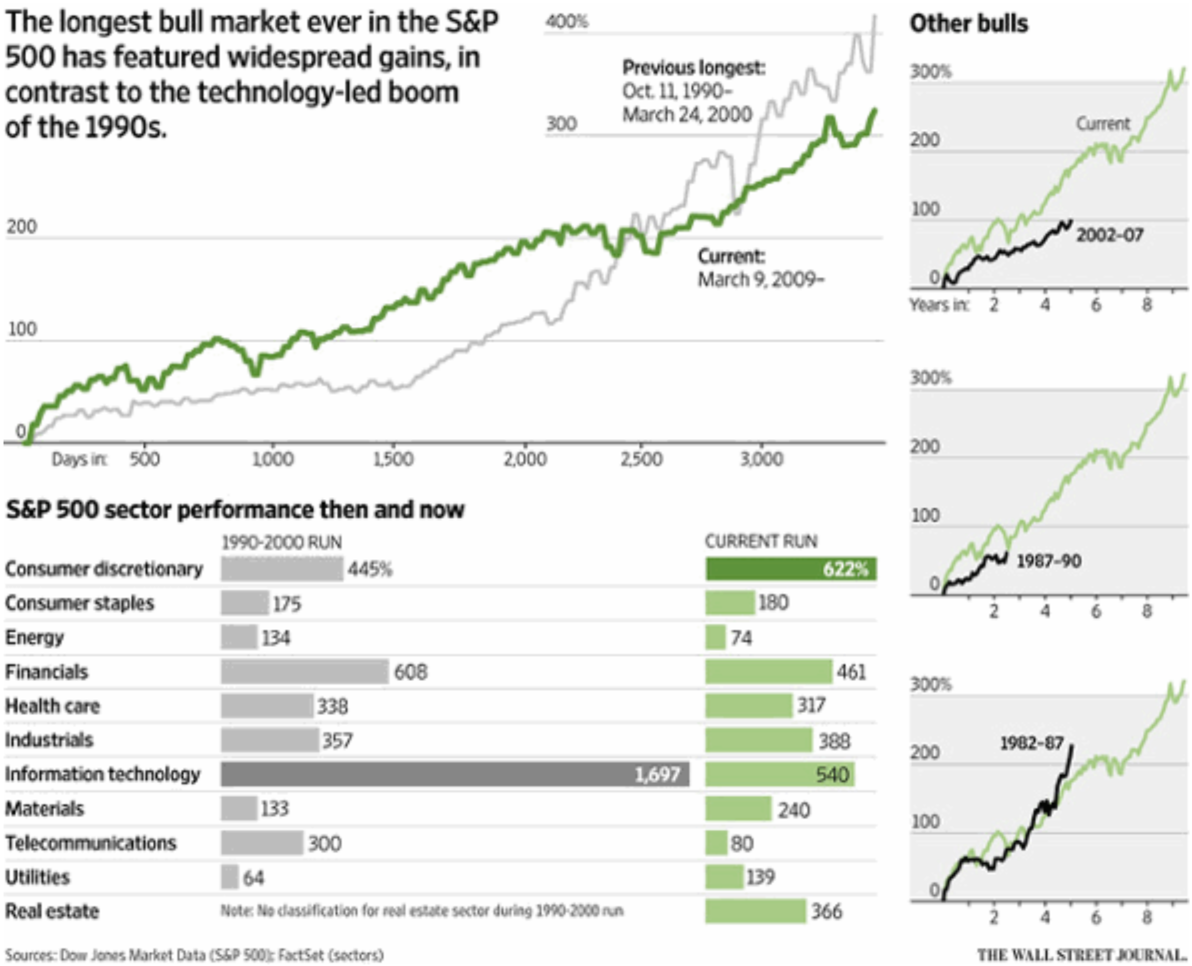
Yet many of the underpinnings of the so-called goldilocks period for stocks remain intact, with interest rates remaining low and inflation just touching the Fed's 2% target. Few economists expect a recession soon. As a result, even interest-rate-sensitive investors aren't willing to call an end to the bull rally.

"Any time you have modest to good growth and modest inflation, you can worry about valuations," said Scott Wren, a senior global equity strategist at Wells Fargo Investment Institute. "But this expansion is going to continue for a while longer."

Some bulls find solace in a look back at some of the market's hard times. Michael Batnick, director of research at Ritholtz Wealth Management, contends that the current bull run began in 2013 -- when the **S&P 500** set its first record close since the financial crisis.

Others argue that the current bull run was interrupted by steep slides in 2011, when the **S&P 500** declines were just shy of an official **bear market**. Either way, investors said there is little use in trying to time the **bull market**'s end.

"Arbitrarily saying I need to take off risk because we're at the anniversary of the longest **bull market** is a suboptimal way of investing," said Mark Stoeckle, chief executive of the Adams Funds. "Markets can go up a lot longer than many people think they can."



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The New York Times

STOCKS & BONDS
Business/Financial Desk; SECTB
U.S. Threat of $200 Billion in Tariffs on China Causes a Slide

By THE ASSOCIATED PRESS
907 words
31 August 2018
The New York Times
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Late Edition - Final
3
English

U.S. stocks skidded late Thursday following a report that the Trump administration could put tariffs on $200 billion in Chinese goods as early as next week.

After a weak start, stocks fell further after Bloomberg News said the United States government was getting ready to ramp up its trade dispute with China. It has been threatening to tax $200 billion in Chinese imports for several months, which would represent a major escalation in the trade fight.

Major exporters including chemical companies and machinery makers took sharp losses. Technology companies also fell, while banks dropped along with interest rates and some weak second-quarter results hurt retailers.

According to Bloomberg, the administration could impose the 25 percent tariffs as soon as a public review period ends next week, but it could simply announce the tariffs and say they will take effect later.

China has threatened to retaliate with tariffs on $60 billion in goods from the United States and could take other measures as well.

''Markets have kind of gone to sleep on these things,'' said Sameer Samana, a strategist for the Wells Fargo Investment Institute. ''We think this might take as long as a year or two to play out.''

Stocks were coming off a four-day surge that brought them to record highs as the U.S. appeared to make progress in trade talks with Mexico and Canada.

The **S** .**& P**. **500 index** lost 12.91 points, or 0.4 percent, to 2,901.13. The **Dow Jonesindustrial average** fell 137.65 points, or 0.5 percent, to 25,986.92. The **Nasdaq composite** index slid 21.32 points, or 0.3 percent, to 8,088.36.

The Russell 2000 index of smaller-company stocks dipped 2.40 points, or 0.1 percent, to 1,732.35.

Construction equipment maker Caterpillar fell 2 percent to $139.06. Gold and copper miner Freeport-McMoRan lost 3.5 percent to $14.15 and steel producer Nucor slid 2 percent to $62.79. General Motors fell 2 percent to $36.36.

Discount retailer Dollar Tree plunged 15.5 percent to $79.78 after its quarterly profit and sales fell short of Wall Street projections. Investors were also concerned about the company's forecast for the rest of the year.

Competitor Dollar General slipped 1 percent to $105.66 after it said its profit margins dipped. Clothing retailer Abercrombie & Fitch sank 17.2 percent to $22.55 after its sales disappointed analysts while PVH, which owns the Calvin Klein and Tommy Hilfiger brands, lost 9.6 percent to $141.67. Arts and crafts retailer Michaels fell 14.8 percent to $17.01.

While many other retailers struggled, Signet Jewelers jumped 23.8 percent to $67.68 after its sales flew past expectations and it raised its forecasts for the year. Also rising was clothing and accessories retailer Tilly's, which rose 14.6 percent to $20.63 after its report.

Video game maker Electronic Arts dropped 9.8 percent to $115.94 after it said the release of a major game, "Battlefield V," will be delayed by four weeks. It also said the strong dollar is hurting its sales. It cut a revenue forecast, citing those problems.

K2M Group jumped 26 percent to $27.50 after larger medical device maker Stryker agreed to buy it for $27.50 a share, or $1.2 billion. Stryker slipped 1.3 percent to $169.02.

Campbell Soup says it will sell its international and fresh food businesses to pay down debt and will focus on its snack and soup business in North America. Investors appeared unenthusiastic about the proposal, and the stock lost 2.1 percent to $39.15.

Amazon stock inched up 0.2 percent to $2,002.38, its first close above the $2,000 mark. The online retail behemoth's stock is up almost 600 percent in the last five years, including a gain of 71 percent so far in 2018. That's taken Amazon's market value to almost $1 trillion. Earlier this month Apple became the first publicly traded company to reach $1 trillion in value.

Oil prices rose. Benchmark U.S. crude gained 1.4 percent to $70.25 a barrel in New York, while Brent crude, used to price international oils, added 0.8 percent to $77.77 a barrel in London.

Wholesale gasoline rose 1.8 percent to $2.14 a gallon. Heating oil inched up 0.3 percent to $2.25 a gallon. Natural gas added 0.4 percent to $2.87 per 1,000 cubic feet.

Bond prices rose. The yield on the **10**-**year Treasury** note fell to 2.86 percent from 2.88 percent. That hurt banks, as lower yields mean long-term loans are less profitable.

Gold fell 0.5 percent to $1,205 an ounce. Silver sank 1.5 percent to $14.59 an ounce. Copper lost 0.7 percent to $2.71 a pound.

The dollar fell to 111.05 yen from 111.69. The euro fell to $1.1663 from $1.1699.

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

Calling Bull on the Longest Bull Market; Who cares how long this bull market has been going, so long as you're making money?

By James Mackintosh
836 words
22 August 2018
08:34 AM
The Wall Street Journal Online
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English

Investors in big U.S. stocks will have no trouble believing that we are on the threshold of the longest **bull market** ever, with Wednesday setting a new "record" of 3,453 days. Quibbles about exactly what happened in 1990, 1998 or 2011 won't matter for those who had the foresight and luck to hold the **S&P 500** during its 320%-plus run from the low of March 9, 2009.

What truly matters for investors is that the market has gone up a lot—really, a lot—over a long period. But given how much attention bull markets and new records get, it is worth spending a bit of time on the quibbles.

The widely accepted definition of a **bear market** is a drop of 20% from the last peak in this cycle, while bull markets are usually measured from the lowest point reached until the peak before the next **bear market**.

On this basis, the broad U.S. market has only been in a bull phase since October 2011, when most stock gauges were back in a **bear market**, down 20% from their postcrisis highs hit earlier that year.

The S&P 1500, Russell 1000, Russell 3000 and Wilshire 5000 were hurt by their holdings of smaller companies, which fell fast as the market plummeted in the wake of the U.S. credit-rating downgrade and eurozone implosion.

The **S&P 500** itself fell 19.4% from its postcrisis closing high to the closing low of October 2011, although even here we can split hairs. Use intraday highs and lows and the index was down 21.6%, for a new **bear market**. Certainly to many investors it felt like a renewed panic, and nothing like a **bull market**.

Whether today marks a record is open to doubt either way. Based on closing prices, there was no **bear market** from 1987 until 2000 in the **S&P 500**, making that by far the longest bull run. Based on intraday prices, there were bear markets in 1990 and 1998, but that run was still longer than the run since 2011.

This is the financial historian's equivalent of counting angels on the head of a pin. Who cares how long this **bull market** has been going, so long as you're making money? And U.S. stocks have been making big money. From 2009 to 2011 they rebounded with the rest of the world, but since then they have soared ahead. Measured in dollars, British, eurozone, Japanese and emerging-market equities have all roughly doubled from the 2009 lows (emerging stocks bottomed out a few months earlier), while U.S. stocks have quadrupled.

This isn't about a weaker dollar, at least against other major currencies. A weak currency can certainly help stocks priced in that currency—just look at the Caracas stock exchange's 17,266% gain this year, before Venezuela's bolivar was abolished to try to deal with hyperinflation. But the dollar has strengthened from its 2009 lows against most currencies, and barely had any inflation.

Hard-currency fanatics have their own quibble: Sterling, the euro and yen have been weakened by superlow interest rates and QE too, so the true measure is how much real stuff the dollar buys. Measure the S&P's gains in ounces of gold or barrels of oil and they are a lot smaller than in dollars, but still roughly tripled, with all the gains coming since 2011.

Whatever measure we use, there has been a big **bull market** for a long time, and we should care. Investors are heavily influenced by the recent past, and tend to extrapolate it too far into the future. The danger with every bull is that it runs too far.

In the wake of the financial crisis a focus on the recent trouble helped keep investors cautious, but that restraint is long gone. Investors have once again been relying on hope when they part with their money, and signs of excess are easy to find: Shareholders cheering on corporate leverage, investors piling into junk bonds and loans with fewer protective covenants than usual, and the ease with which speculative stocks such as Tesla or private companies such as Uber raised billions of dollars.

However, for all the excess, it is still hard to identify a true bubble, certainly nothing on the scale of dot-coms in 1999 or housing in 2006. Long booms don't have to end in unsustainable exuberance and froth, but history suggests they often do.

Write to James Mackintosh at James.Mackintosh@wsj.com

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The New York Times

STOCKS & BONDS
Business/Financial Desk; SECTB
Health Care Firms Help Lead a Wall Street Rally

By THE ASSOCIATED PRESS
1,068 words
1 August 2018
The New York Times
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Late Edition - Final
2
English

U.S. stocks rose Tuesday following strong results from industrial and health care companies as well as a report that the U.S. and China are trying to restart trade talks. Small companies rallied.

Bloomberg News reported that representatives of the U.S. and China are looking for ways to open new talks to end their trade war. The report cited two people familiar with those efforts and said there was no agreement about a time frame for talks or what issues would be discussed. Earlier this month both nations placed import taxes on $34 billion worth of goods, and they've been threatening more severe measures.

The trade dispute could affect sales for many industrial companies and new tariffs on aluminum and steel imports are also sending costs for those companies higher. Companies including Deere and Caterpillar jumped while engine maker Cummins rose after its second-quarter report.

Vincent Reinhart, chief economist at Standish Mellon, a unit of BNY Mellon Asset Management, said investors have mostly stayed calm during the trade dispute because they think most of the tensions will get worked out by November. Rising corporate profits, which have been helped by the recent tax cuts, are also helping.

"Everybody thinks a deal will be cut before the midterms," he said. "That allows you to shake off the bad news and embrace the good."

Earnings from companies including Pfizer and Illumina gave health care stocks a boost and real estate companies climbed as well. Banks were left out of the rally as interest rates slipped.

The **S&P 500 index** rose 13.69 points, or 0.5 percent, to 2,816.29, making up most of the losses it took on Monday. The **Dow Jones Industrial Average** gained 108.36 points, or 0.4 percent, to 25,415.19. The **Nasdaq composite** added 41.78 points, or 0.5 percent, to 7,671.79. The Russell 2000 index of smaller-company stocks jumped 17.67 points, or 1.1 percent, to 1,670.80.

Deere, a farm equipment maker whose profits would be hurt by China's tariffs on soybeans, surged 4.8 percent to $144.79. Engine maker Cummins gained 4.1 percent to $142.81 after a better-than-expected second-quarter report. After a slump on Monday, construction equipment maker Caterpillar rose 2.9 percent to $143.80.

Genetic testing tools maker Illumina raised its forecasts after a strong second quarter and its stock climbed 12.1 percent to $324.36. Pfizer rose 3.5 percent to $39.93 after the biggest U.S. drugmaker topped analysts' projections and raised its forecasts for the year.

Elsewhere, cable company Charter Communications advanced 3.6 percent to $304.58 after its quarterly profit surpassed analysts' estimates.

High-powered laser maker IPG Photonics nosedived 26.9 percent to $164.04 after it said demand from Europe and China worsened during the second quarter. The company's revenue forecast for the current quarter fell far short of Wall Street's estimates.

Apple climbed 2.5 percent to $195.14 in aftermarket trading after reporting that its third-quarter profit and sales both topped analysts' projections. Its fourth-quarter sales forecast was also better than expected.

The Commerce Department said consumer spending grew another 0.4 percent in June, and a key measurement of inflation is up 2.2 percent over the last year. For the last four months, inflation has equaled or been slightly higher than the Federal Reserve's target of 2 percent. The Fed is meeting Tuesday and Wednesday but isn't expected to raise interest rates again until later this year.

The Labor Department said wages and benefits for U.S. workers continued to rise, but they grew at a slightly slower pace in the second quarter. That's a sign that even though unemployment is low, wages aren't picking up.

Technology companies ended a three-day losing streak. Chip equipment maker KLA-Tencor soared 10.5 percent to $117.42 after it topped Wall Street expectations in the second quarter. Chipmaker Qualcomm gained 3.3 percent to $64.09 as it started to buy back stock from shareholders.

Apple added 0.2 percent to $190.29 as investors waited for its quarterly report.

Technology stocks had plunged more than 5 percent in three days, and they regained only a small portion of that Tuesday.

Bond prices rose. The yield on the **10**-**year Treasury** note fell to 2.96 percent from 2.97 percent.

Economic growth in the 19-country eurozone slowed to 0.3 percent in the second quarter as trade tensions between the U.S. and Europe hurt business confidence. Since then, the EU and U.S. have agreed to hold off more tariffs and try to free up trade, though details remain hazy.

The French CAC 40 rose 0.4 percent and the British FTSE 100 gained 0.6 percent. The DAX in Germany added 0.1 percent.

Japan's Nikkei 225 index rose less than 0.1 percent after the Bank of Japan didn't announce any major changes to its monetary policies. South Korea's Kospi added 0.1 percent. Hong Kong's Hang Seng index fell 0.5 percent.

Benchmark U.S. crude lost 2 percent to $68.76 per barrel in New York. Brent crude, used to price international oils, fell 1 percent to $74.25 a barrel in London.

Wholesale gasoline slid 1.4 percent to $2.13 a gallon. Heating oil shed 1.8 percent to $2.13 a gallon. Natural gas slipped 0.5 percent to $2.78 per 1,000 cubic feet.

Gold rose 0.2 percent to $1,223.60 an ounce. Silver added 0.1 percent to $15.56 an ounce. Copper rose 1.4 percent to $2.83 a pound.

The dollar rose to 111.83 yen from 111 yen. The euro slipped to $1.1697 from $1.1710.

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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 Tuesday. (Source: Reuters)

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

S&P 500 Reaches Bull-Run Milestone; Index posts longest rally in U.S. history; uncertainty around Trump's political fortunes weigh on investors

By Michael Wursthorn
962 words
22 August 2018
05:38 PM
The Wall Street Journal Online
WSJO
English

The **S&P 500** edged slightly lower Wednesday, even as the index extended its bull run from the depths of the financial crisis to become the longest ever.

Uncertainty around the political fortunes of President Trump weighed on investor sentiment, contributing to a momentary lull in trading activity in what is typically a slow period for the **stock market**, several money managers and analysts said. It was the lowest full day of trading volume for the year, with just 5.2 billion shares changing hands, well below the year's average trading volume of 6.8 billion. That caused the **S&P 500** to bounce around the flatline before closing down less than 0.1% Wednesday.

Even with the tepid trading activity, the S&P extended its bull run from March 9, 2009, to 3,453 days to become the longest rally in U.S. history, surpassing the previous record set between 1990 and 2000.

Still, investors didn't cheer the milestone too much as they tried to gauge the impact of news related to two former associates of President Trump. Michael Cohen, the president's former personal lawyer, pleaded guilty Tuesday to eight criminal charges, including campaign-finance violations. Meanwhile, former Trump campaign manager Paul Manafort was convicted of eight charges related to tax and bank fraud.

While those developments shouldn't substantially alter the **stock market**'s outlook, money managers and analysts said they raise the likelihood of further turbulence ahead for Mr. Trump heading into the midterm elections, and could cause **volatility** to come roaring back into the market.

"If it starts looking more like the president is in jeopardy, that is a clear negative for the market, but ex that, the market will continue to follow earnings," said Matt Lockridge, senior portfolio manager at Westwood Holdings Group. "That uncertainty is what's going to give the market a little bit of heartburn today and maybe the next couple of days."

The **S&P 500** fell 1.14 points, or less than 0.1%, to 2861.82, dashing a four-session winning streak. The **Dow Jones Industrial Average** fell 88.69 points, or 0.3%, to 25733.60 to also snap a four-day run of gains, while the **Nasdaq Composite** rose for a fifth consecutive session, adding 29.92 points, or 0.4%, to 7889.10.

The **S&P 500**'s bull-run milestone isn't concrete just yet. Some analysts contend a new closing high is needed to ensure the index's run is in fact the longest ever. The S&P is 0.4% away from its previous closing high set on Jan. 26, and if the index suffered a 20% drawdown before notching a new record close, several analysts would consider Jan. 26, the last **S&P 500** closing record, as the final day of the rally.

For now, investors say the **stock-market** landscape remains favorable for major U.S. indexes to move higher. Unemployment remains low and economic growth has been robust so far this year, while companies are reporting gains in sales and revenue. With about 95% of **S&P 500** companies having reported earnings, profits overall grew about 25% from a year earlier, according to FactSet, ahead of analysts' early estimates.

The strong earnings announcements continued Wednesday to give further support to the **stock market**.

Target shares jumped $2.67, or 3.2%, to $85.94 after the retailer said same-store sales rose at the fastest rate in more than a decade in the latest quarter, a sign of the pickup in consumer spending and of the company's efforts to improve its e-commerce operations.

Lowe's added 5.78, or 5.8%, to 105.52 after it reported better sales and profit in its latest quarter.

Energy stocks rose, tracking a 3.1% gain in crude-**oil prices**.

During afternoon trading, investors got further guidance that the Federal Reserve would raise interest rates next month as long as the economy performs in line with expectations, according to the minutes of the Fed's July 31-Aug. 1 meeting, which were released Wednesday.

But Fed officials continued to monitor whether trade disputes could dash the economic outlook. Among the concerns, officials worry that a prolonged trade spat could harm business investment, sentiment and hiring, as well as reduce the purchasing power of U.S. households, according to the minutes. So far, the officials noted that businesses haven't scaled back planned investments because of tariffs, but that could change if the situation continues, the minutes said.

"There are a lot of unknowns out there with regard to trade and the political situation, but investors have been conditioned to come back to these core fundamentals," said Jeff Kravetz, regional investment director at the Private Client Reserve at U.S. Bank Wealth Management. "There's still a picture of a strong economy based on strong consumer confidence."

Elsewhere, the Stoxx Europe 600 fell less than 0.1%. In Asia, China's Shanghai Composite Index fell 0.7%, while Japan's Nikkei Stock Average and Hong Kong's Hang Seng Index both gained 0.6%.

—Amrith Ramkumar and Christopher Whittall contributed to this article.

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

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THE WALL STREET JOURNAL.

Economy
U.S. Corporate Profits Soared in Second Quarter, Boosted by Tax Cuts and Economic Growth; Commerce Department measured 16.1% year-over-year gain, the largest in six years

By Harriet Torry and Theo Francis
1,183 words
29 August 2018
01:46 PM
The Wall Street Journal Online
WSJO
English

WASHINGTON—U.S. corporate profits boomed in the second quarter, boosted by large tax cuts and stronger economic growth than initially reported.

The Commerce Department said Wednesday that its broadest measure of after-tax profits across the U.S. rose 16.1% in the quarter ended June 30 from a year earlier, the largest year-over-year gain in six years.

Because of the lower corporate tax rate signed into law last year, taxes paid by U.S. companies in the quarter were down 33% from a year earlier, according to the government data, or more than $100 billion at an annual rate.

Strong economic growth also played a role. The Commerce Department revised upward its estimate of how fast the U.S. economy grew in the second quarter, to an annual rate of 4.2% from an earlier estimate of 4.1%.

Good economic news and robust corporate earnings reports have powered the **stock market** in recent weeks. On Wednesday, the **S&P 500 index** added 0.6%, while the tech-heavy **Nasdaq Composite** climbed 1%. Both set new highs. The **Dow Jones Industrial Average** closed up 61 points, or 0.2%, at 26124.57.

The government profit report capped a string of strong earnings by individual companies. Executives across a range of industries were largely upbeat in the recently completed earnings season.

Farm and construction equipment maker Deere & Co., for example, said healthy demand for road-building equipment has extended its order book well into 2019 and that the nation's agricultural economy may prove strong even though many farmers are being hammered by retaliation abroad against recently imposed U.S. tariffs. Its sales in the second quarter rose 32% from a year earlier, to $10.3 billion.

"Overall, we are encouraged by the outlook for the rest of 2018 and the early interest for our latest technology," Deere & Co. Chief Financial Officer Rajesh Kalathur told investors on Aug. 17.

One worry is that as the impetus from tax cuts wanes, profit and economic growth could slow next year and beyond. Executives in earnings calls also expressed concerns about Trump administration trade policy and the risk of rising barriers to sales at home and abroad.

Still, analysts see little sign of a letup in earnings momentum this year, though Wall Street projections for 2019 point toward a modest slowdown.

For now, rising profits could fuel economic growth in the coming months.

"Businesses have more money to continue boosting investment in the second half of the year," said Roiana Reid, an economist at Berenberg Capital Markets. Companies "will need to increase production to meet strong domestic demand and replenish inventories," she said.

Per-share earnings for companies in the **S&P 500** rose 24.8% over the second quarter of 2017, the second-fastest rate since late 2010 and trailing only this year's first quarter, according to data from Thomson Reuters that incorporates analysts' adjustments to results. That rate is projected to slow to 9.3% by next year's second quarter.

Sales by **S&P 500** companies grew 9.5% in the most recent quarter, the fastest rate since the autumn of 2011, suggesting a robust business environment helped drive profits, beyond the effect of tax cuts and share buybacks that help boost per-share earnings.

"Earnings have been good no matter how you measure them," said Howard Silverblatt, senior index analyst at S&P Dow Jones Indices. "The big takeaway here is that sales are up," he said.

If there is a soft spot in the corporate landscape it might be a hint of strain from the rest of the world. Earnings abroad by U.S. companies fell from the first quarter to the second, the Commerce Department said Wednesday, though they were still up robustly from a year earlier.

But domestic earnings boomed, including surprising performances by many store-based retailers. Some have been hurt by online competition, but strong consumer demand is driving their sales.

Earnings for consumer-staple companies, such as food and household-goods makers, rose at the fastest rate since mid-2008, at 13.8%, in the second quarter from a year earlier, while those at consumer discretionary companies, such as retailers, were up 23%, Thomson Reuters estimates. Among them, Walmart Inc. and rival Target Corp. reported their fastest quarterly sales growth in more than a decade.

"The U.S. economy and drivers for home improvement spending are strong," Craig Menear, chief executive of Home Depot Inc., told investors earlier this month. "We feel very positive about the strength of the home-improvement sector and the customers' willingness to spend."

Some large public companies credited the tax overhaul for a significant share of their rising profit. United Rentals Inc., which leases construction and other heavy equipment, said lower taxes contributed about half of its 62% increase in per-share earnings. Bank of America said it expects about half of full-year 2018 earnings growth by **S&P 500** companies will stem from tax changes.

The government report on profits differs from **S&P 500** data because it measures profits across the whole economy, including private and publicly listed companies. That makes it the most comprehensive scorecard for corporate financial health.

The report also makes adjustments for changes in the value of company inventories and capital investments, and shifts in business depreciation schedules. That smooths out fluctuations that might result from big commodity price swings or tax changes.

But the government report included a puzzle. Though many individual companies reported increases in dividends and share buybacks, the national data showed little impact on dividends across the entire economy. They were paid out at an annual rate of $1.22 trillion in the second quarter, down 0.9% from the rate of payment a year earlier.

Mr. Silverblatt noted that dividends tend to change much more slowly than earnings. When raising dividends executives want to be sure they can sustain them. They also are reluctant to lower them, which can be taken by investors as a sign of a dimming outlook.

As for the current quarter, underlying demand appeared solid at the start of the period. Retail sales jumped in July from the prior month and business equipment orders were up.

The Conference Board said Tuesday its index of U.S. consumer confidence climbed to 133.4 in August from 127.9 in July, hitting its highest level since October 2000. The University of Michigan's index of consumer sentiment has declined in four out of the last five monthly readings but remains at historically high levels.

"The economy is strong," Federal Reserve Chairman Jerome Powell said in Jackson Hole, Wyo., last week, adding that inflation "is near our 2% objective, and most people who want a job are finding one."

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The New York Times

Business/Financial Desk; SECTB
Markets Stall Ahead of Bankers' Meeting

By THE ASSOCIATED PRESS
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24 August 2018
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NYTF
Late Edition - Final
4
English

Domestic stocks capped another day of listless trading with a slight loss Thursday as a slide in banks and industrial companies offset solid gains for the technology sector.

Homebuilders also declined following new data showing sales of new United States homes slumped in July. American crude oil prices also ended essentially flat.

Investors had their eye on the latest developments in the United States-China trade dispute as both nations held their first high-level talks in two months. Traders also were looking ahead to Friday's gathering of central bankers, including Federal Reserve Chairman Jerome Powell, in Jackson Hole, Wyo., an annual symposium that has often generated market-moving news.

''It's been a fairly quiet day,'' said Paul Springmeyer, head of investments at U.S. Bank Wealth Management. ''There's obviously some reservation about what's going to come out from Jackson Hole, from Chairman Powell.''

The Standard & Poor's 500 fell 4.84 points, or 0.2 percent, to 2,856.98. The Dow Jones Industrial Average slid 76.62 points, or 0.3 percent, to 25,656.98. The Nasdaq composite lost 10.64 points, or 0.1 percent, to 7,878.46. The Russell 2000 index of smaller-company stocks gave up 5.49 points, or 0.3 percent, to 1,717.05.

Stocks spent much of the day hovering just below their prior day closing levels.

Markets showed little reaction to the latest round of dueling tariffs between the United States and China. The countries imposed 25 percent tariffs on $16 billion of each other's goods Thursday, including automobiles and factory equipment. The increases were announced previously.

Of more immediate interest for the market is Friday's annual gathering of central bankers. Mr. Powell was scheduled to deliver a keynote speech that traders are sure to scrutinize for signs of Fed views on Turkey's currency crisis and United States-China trade tensions. If Mr. Powell sounds confident, investors would likely conclude the Fed will keep gradually raising rates.

Banks and other financial stocks took some of the biggest losses Thursday. Charles Schwab declined 1.5 percent to $50.17. Industrial stocks also fell. Caterpillar lost 2 percent to $136.79.

New housing data also weighed on stocks. The Commerce Department said sales of new American homes slumped 1.7 percent in July, the second monthly decline in a row. Toll Brothers led a slide in homebuilder shares, losing 2.8 percent to $37.29.

Technology companies led the gainers. Advanced Micro Devices vaulted 6.7 percent to $22.29.

Benchmark United States crude settled essentially flat at $67.83 per barrel in New York. Brent crude, used to price international oils, dipped 0.1 percent to $74.73 per barrel in London.

Bond prices were little changed. The yield on the 10-year Treasury held steady at 2.82 percent.

The dollar rose to 111.28 yen from 110.57 yen late Wednesday. The euro weakened to $1.1536 from $1.1589.

Gold fell 0.8 percent to $1,194 an ounce. Silver slid 1.4 percent to $14.54 an ounce. Copper dropped 0.6 percent to $2.68 a pound.

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.

U.S. Markets
Markets
S&P 500 Closes at New High; S&P 500 notched its first record close since January; Nasdaq Composite and Russell 2000 also hit records

By Ben St. Clair and Akane Otani
675 words
24 August 2018
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The Wall Street Journal Online
WSJO
English

The **S&P 500** rose to a fresh high Friday, bringing to an end its longest streak without a record in two years and affirming the **bull market**'s longevity.

Major indexes had drifted between small gains and losses over the course of the week, with the **S&P 500** quietly notching the milestone of the longest-ever U.S. **bull market** Wednesday but finishing just shy of setting a new record close.

But stocks got a jolt Friday after Federal Reserve Chairman Jerome Powell made his debut at the central bank's annual Jackson Hole retreat. Mr. Powell's message largely reassured investors: signaling that even as the U.S. economy looks strong, the central bank plans on sticking to a gradual course of interest-rate increases.

That, along with a mostly upbeat week for earnings, helped stocks keep grinding higher, allowing the **S&P 500** to effectively confirm the **bull market**'s status as the longest such run in history. The **Nasdaq Composite** and Russell 2000 also finished the week at fresh highs.

The Fed understands its impact on the economy and "has no interest to chill the current expansion" in the U.S., said Thomas Herbert, head of portfolio management at Ethenea Independent Investors.

The **Dow Jones Industrial Average** added 133.37 points, or 0.5%, to 25790.35. The **S&P 500** rose 17.71 points, or 0.6%, to 2874.69 and the **Nasdaq** advanced 67.52 points, or 0.9%, to 7945.98.

For the week, the Dow industrials were up 0.5%, while the **S&P 500** was up 0.9% and the **Nasdaq** rose 1.7%.

Corporate earnings drove swings in individual stocks throughout the week.

Shares of retailers rallied after Target reported its best quarterly results in more than a decade and T.J. Maxx parent TJXraised its guidance for the fiscal year. The consumer-discretionary sector rose 2%, posting the second-biggest gains of the **S&P 500**'s 11 groups.

But disappointing results took some shine off the sector, sending Gap tumbling $2.79, or 8.6%, to $29.65 Friday and Victoria's Secret parent L Brands down 63 cents, or 2.2%, to 27.62.

Meanwhile, the dollar retreated after Mr. Powell's address, with the WSJ Dollar Index—which measures the currency against a basket of 16 others—down 0.5%.

Elsewhere, the Stoxx Europe 600 rose less than 0.1%, notching a weekly gain.

Stocks in Asia ended mixed after two days of midlevel trade talks between the U.S. and China failed to yield any breakthroughs.

The Shanghai Composite Index rose 0.2% Friday, while Hong Kong's Hang Seng fell 0.4%.

Representatives of the two governments largely repeated talking points during the discussions in Washington, according to people closely tracking the talks. China's Commerce Ministry called the meeting "constructive and frank" in a statement. Early this week, the two countries imposed tariffs on an additional $16 billion of each other's imports, bringing the total amount of goods under each country's levies to $50 billion.

Strong U.S. numbers have made it "easy to sort of look past the headlines" for U.S. investors, said Katie Nixon, chief investment officer for Northern Trust's Wealth Management business.

Still, "U.S. investors seem to be looking through a lot of risks right now," which in addition to trade disputes include the possibility of the Fed moving too quickly to raise interest rates, Ms. Nixon said.

Write to Akane Otani at akane.otani@wsj.com

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The New York Times

Business Day; DealBook
The Stealth Drivers of the Record Bull Market

By Peter Eavis
819 words
23 August 2018
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Why has the upswing in the United States **stock market** lasted for so long?

The simple answer: The economy and corporate profits have been growing for most of the current **bull market**.

But this rally has had drivers not fully appreciated, perhaps because of a dearth of enthusiasm surrounding its rise. The current **bull market** occurred in the aftermath of the 2008 financial crisis, a period in which the economy trudged, household incomes only nudged higher, and **stock market** gains mostly went to the rich.

Still, the **Standard & Poor**'**s500 stockindex** is up by 324 percent over nearly nine and a half years. Some things clearly went right. Here are three factors that didn't get the attention they perhaps deserve.

Wall Street tamed

America's financial firms often acted as engines of instability during past bull markets. Banks unleashed lending binges that fueled economic growth and increased stock prices. But when borrowers defaulted, banks pulled back sharply, making economic slowdowns and **stock market** crashes all the more severe. The financial excesses of the five-year bull-run that ended in 2007 illustrate the central role banks can play in creating conditions for a bust.

After 2008, the Federal Reserve and Congress required changes — like safer balance sheets and lending practices — that largely stopped banks from acting in such a destabilizing manner. In the years since the financial crisis, banks have continued to lend to individuals and companies as well as raise money in the markets for their clients. And they have remained profitable. In the first quarter of this year, banks' profits were equivalent to 1.28 percent of their assets, which is significantly higher than the 1.03 percent median return since the mid-1980s, according to data from the Federal Deposit Insurance Corp.

What could go wrong? The banks are lobbying to loosen many of the post-crisis rules. Gradually, regulators and investors could forget the lessons learned in tough times.

The Fed got it right

Many investors feared that stock prices were being artificially supported by the Fed's extraordinary post-crisis monetary policies, like its enormous bond-buying programs. There were two main concerns: First, the policies might cause inflation to take off; second, once the Fed withdrew support, it could set off chain reactions that would cause the economy to slow and the **stock market** to fall. Neither has come to pass, at least so far.

The Fed's policies may not have been as loose as they appeared. On a nominal basis, interest rates were indeed cut to historical lows. But what mattered is whether they were low after adjusting for inflation. It appears corporate borrowers did not get a huge break from the Fed: During the latest **bull market**, the yield on corporate bonds rated BAA by Moody's (a good and historical proxy for average corporate borrowers) was 3.7 percent on average, after adjusting for inflation. That compares with an average of 4 percent since 1950.

What could go wrong? The Fed has so far only tapped the brakes. If it has to tighten monetary policy more aggressively, corporations that have taken on more debt during this **bull market** may have to pull back significantly. That could set off a bust.

No competition

When the United States became the epicenter of the financial crisis in 2008, it seemed unlikely that it would become a beacon for investors in the next decade. Yet, for the most part, that’s what happened. Europe’s economy took much longer to recover than America’s, mostly because of the region’s sovereign debt crises and a faltering approach to overhauling its banks. In emerging markets, a six-year slowdown that ended in 2017 deterred foreign investors.

Almost by default the United States **stock market** became the most attractive place to invest. It only became more enticing as large American technology companies kept delivering impressive results. In 2008, United States stocks accounted for 36 percent of the total value of the world’s stock markets, compared with 41 percent in 2017, according to data from the World Bank.

What could go wrong? The world’s desire for United States stocks has pushed their valuations higher and left them vulnerable to shocks, like an all-out trade war or higher-than-expected interest rates. Sam Stovall, the chief investment strategist at the financial research firm CFRA, says a measure of **stock market** valuations he tracks is at the same level as it was at the time of the 1987 crash.

Traders work on the floor at the New York Stock Exchange. Under-appreciated factors have helped buoy the market they work on. | John Taggart for The New York Times

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THE WALL STREET JOURNAL.

Markets

Traders Pile Into Bets That Stock Rally Will Continue; Tax cuts and a robust U.S. economy boosted corporate profits in the three months through June

By Gunjan Banerji
490 words
8 August 2018
08:00 AM
The Wall Street Journal Online
WSJO
English

With U.S. stock benchmarks mere points away from fresh records, some traders are piling into bets that share prices will rally higher and **volatility** will remain muted.

The **S&P 500** and the technology-heavy **Nasdaq Composite** hit their second-highest close in history on Tuesday.

Options investors and traders are wagering the gains will continue. They have been scooping up **bullish** call options on the **S&P 500**, contracts that would pay out if the **stock index** took another leg higher, according to Credit Suisse. Call options give the right to buy shares at a later time if they hit a designated price.

An options measure known as skew on the **S&P 500** has also fallen, according to Credit Suisse. Skew tracks the cost of **bearish** options versus **bullish** ones. When skew falls, it means **bearish** contracts are getting relatively cheaper.

In other words, traders in recent days have been shelling out for **bullish** options rather than **bearish** ones.

Meanwhile, skew remains elevated for exchange-traded funds like the tech-heavy Invesco QQQ Trust and iShares Russell 2000 ETF, known as IWM, according to a Credit Suisse memo Monday. This signals there is still some fear lurking in the market over tech and small-cap stocks—groups that have been outperformers in the **stock market** this year.

The recent activity marks a reversion to an environment that dominated much of the past year and the early part of this year. Investors abandoned more defensive options positions and hedges and favored **bullish** options, fearful of missing out on a potential rally. A **volatility** shock struck markets in February, causing a pause to this trend.

Now, "both the macro and earnings backdrop set up well for [the **S&P 500**] to grind higher in the near term," wrote Mandy Xu, derivatives strategist at Credit Suisse, in a note this week.

The majority of U.S. companies that have reported earnings have beat revenue and earnings estimates, according to FactSet. Tax cuts and a robust U.S. economy boosted corporate profits in the three months through June. Employment figures have stayed strong.

Another **bullish** sign is in the futures markets.

So-called "short vol" bets—or wagers that market **volatility** will fall—by investors including hedge funds hit the highest level since November, according to Commodity Futures Trading Commission data as of last week.

A **bearish** bet on **volatility** is akin to a **bullish** bet on stocks, since market turbulence tends to fall as equities drift higher. Short bets on **volatility** outnumbered long bets by almost three to one, the CFTC data show.

Do you think the rally will continue? Tell us your thoughts at gunjan.banerji@wsj.com.

Write to Gunjan Banerji at Gunjan.Banerji@wsj.com

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The New York Times

Opinion
End Stock Buybacks, Save the Economy

By William Lazonick and Ken Jacobson
971 words
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Since the 1980s, corporate boards in the United States have embraced as dogma the position that companies should be run primarily for the benefit of their shareholders. The stranglehold of this doctrine of “shareholder-value maximization” over corporate decision making has been a leading cause of inequitable incomes, unstable employment, and sagging productivity.

The principal tool for extracting value from companies and handing it to shareholders is the stock buyback, which usually boosts a company’s **stock price**. Buybacks are favored by top executives, who are paid primarily in stock options and stock awards, and encouraged by ever-more-powerful hedge-fund activists. From 2008 to 2017, 466 **S**.**&P**. **500** companies distributed $4 trillion to shareholders as buybacks, equal to 53 percent of profits, along with $3.1 trillion as dividends.

The growing use of stock buybacks since the mid-1980s has warped the economy, worsening inequality, distorting corporate decision making and diverting resources from investment in employees and hard assets. Congress is taking notice: the Reward Work Act introduced by Senator Tammy Baldwin in March would ban stock buybacks done as open market repurchases. (It would still allow buybacks done through tender offers, which are used for different purposes.)

The Securities and Exchange Commission, whose mandate includes **stock market** regulation, opened the floodgates to stock buybacks in 1982, when it adopted Rule 10b-18. Promulgated without public comment, the rule gives a company a “safe harbor” in repurchasing its own stock on the open market if it meets certain conditions, among them, restricting its buybacks on any single trading day to no more than 25 percent of the stock’s average daily trading volume over the previous four weeks. If it stays within the safe harbor, a company can repurchase its stock in massive amounts without fear of being charged with manipulating the stock’s price.

Before the adoption of this rule, buybacks were not illegal, but companies refrained from doing them on a large scale because of the risk that the S.E.C. might bring manipulation charges. With this fear banished, buybacks began on a large scale in 1984.

Corporations already had a way to provide a yield to shareholders: dividends. But by 1997, stock buybacks had surpassed dividends as a mode of distribution to shareholders.

To understand the magnitude of this shift, we analyzed financial data from 232 companies in the **S**.**&P**. **500 Index** that were publicly listed in 1981, before the rule, and were still public through 2016. We found that from 1981 to 1983, these companies spent 4.3 percent of profits on buybacks. In comparison, from 2014 to 2016, these same companies spent 59 percent of their profits buying back their own stock. Dividends absorbed just under half of profits in both periods.

The Rule 10b-18 daily limit on stock buybacks isn’t much of a limit at all. Apple, for example, could buy back $1.4 billion worth of its stock in a single day without exceeding it. And as long as Apple’s board adopts a buyback program to permit it, senior executives can keep buying back similar amounts of stock, trading day after trading day.

Defenders of buybacks contend that they do no harm because the funds are reallocated through **financial markets** and used elsewhere in the economy. A company’s profits are, however, the financial foundation for investments in productive capabilities, first and foremost in employees. Investment in training and retaining employees is the key to productivity growth and innovation, for individual companies and for the economy.

According to our research, when trillions of dollars of corporate cash are extracted from companies through buybacks, on top of dividends, the result is a dramatic concentration of income among the richest American households and the destruction of middle-class employment opportunities.

In 2003, the S.E.C. revealed that it was aware of the use of buybacks to manipulate the **stock market**. The agency acknowledged, in amending Rule 10b-18 to include block trades, that "during the late 1990s, it was reported that many companies were spending more than half their net income on massive buyback programs that were intended to boost share prices — often supporting their share price at levels far above where they would otherwise trade." But its 2003 amendment was hardly a solution.

From 2003 to 2007, the value of buybacks by companies in the **S**.**&P**. **500 Index** quadrupled, reaching almost $600 billion in 2007. With their cash reserves depleted by this orgy of buyback activity, these companies were more vulnerable when the downturn came. Having wasted billions on buybacks, many of them incurred huge losses and required mass layoffs to avoid bankruptcy.

After plummeting in 2008 and 2009, buybacks have again soared: A record $800 billion in buybacks by **S**.**&P**. **500** companies is predicted for this year.

Democrats have argued that the Republican tax cuts have funded increased buybacks. While this is true, the damage done by corporate stock buybacks over the past decades has been systemic.

Short of a Congressional ban on buybacks, as Ms. Baldwin proposes, the S.E.C. should immediately rescind Rule 10b-18, and confront the reality of **stock market** manipulation that open market repurchases entail. If Congress and regulators do not take action to rein in buybacks, the rampant economic inequality that already afflicts the United States will only get worse.

William Lazonick, emeritus professor of economics at the University of Massachusetts, Lowell, is president of the Academic-Industry Research Network. Ken Jacobson is its communications director.

A bill introduced in March would ban stock buybacks done as open market repurchases. | Brendan Mcdermid/Reuters | Stock buybacks are favored by top executives, who are paid primarily in stock options and stock awards. | Brendan Mcdermid/Reuters

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

S&P 500 Draws Closer to January Record; Strong corporate earnings and economic data have driven U.S. stocks higher over the summer

By Akane Otani and Allison Prang
891 words
21 August 2018
05:12 PM
The Wall Street Journal Online
WSJO
English

The **S&P 500** rose on Tuesday, stopping just short of ending its longest stretch without a closing record in two years.

Signs of a buoyant labor market, strong consumer spending and extended corporate-earnings growth have helped U.S. stocks edge higher over the summer, even as worries about trade negotiations and fading growth in China cast a pall over major indexes elsewhere around the world.

Yet the gains have been modest and new highs elusive: The **S&P 500** briefly topped its Jan. 26 closing record during intraday trading in the latest session but closed below the level. Earlier in the month, the index got within 0.5% of the January record before withdrawing again.

If the **S&P 500** closes above the level, it will have cleared what some investors say has been a black mark for the **stock market**—reassuring those who have worried that a monthslong stretch without a new high pointed to broader weakness in the market.

The U.S. **stock market** has been "amazingly resilient," said Erik Davidson, chief investment officer at Wells Fargo Private Bank, adding that he feels valuations don't look too expensive.

The **S&P 500** rose 5.91 points on Tuesday, or 0.2%, to 2862.96, finishing 0.3% away from its January record. The **Nasdaq Composite** gained 38.17 points, or 0.5%, to 7859.17 and the **Dow Jones Industrial Average** advanced 63.60 points, or 0.2%, to 25822.29.

The **S&P 500** is in its longest streak without notching a record close since the 285 trading days between May 22, 2015, and July 8, 2016, according to Dow Jones Market Data, during which period investors' fears about China's economy had rippled through global markets.

The broad index is now up 7.1% for the year—trailing the tech-heavy **Nasdaq Composite**'s 14% gain, but still well ahead of peer indexes in the U.K., Japan, Hong Kong and Germany.

To many, the U.S.'s notable lead reflects its growing status as a haven for stock investors seeking stable growth as markets from Turkey to China have notched steep declines.

Many investors remain worried that a significant rupture in global trade relations could eventually hit U.S. stocks. While corporate earnings remain strong, investors say they are watching for signs of slowing investment and falling sales among manufacturers of products affected by tariffs. Other investors caution a stronger U.S. dollar could weigh on multinationals, whose foreign earnings are worth less when converted back into the dollar.

But for now, those concerns aren't stopping many investors from sticking with their bets on U.S. stocks. Global fund managers' allocation to U.S. stocks rose this month to the highest level since January 2015, according to Bank of America Merrill Lynch's August fund manager survey.

"The economy looks good and consumers feel confident, which is supporting the market," said Lindsey Bell, investment strategist at CFRA Research.

Shares of consumer-discretionary companies rose 0.9% in the **S&P 500**, lifted by gains in home builders PulteGroup and Lennar.

The utilities, real estate and consumer-staples sectors, which investors consider bondlike because of their dividend payouts, fell with Treasury prices.

Meanwhile, corporate earnings drove swings in individual stocks.

TJX Companies, the owner of discount-clothing chain T.J. Maxx, rose $4.81, or 4.7%, to $106.46 after the company raised its guidance for the full year and said foot traffic rose for the 16th consecutive quarter. Shares of Premier, a health-services company, rose 5.61, or 15%, to 43.95 after the company reported earnings that beat estimates.

Later this week, investors will be watching for minutes from both the Federal Reserve's August meeting as well as the annual Jackson Hole symposium of global central banks.

Government bonds weakened Tuesday, with the yield on the 10-year U.S. Treasury note settling at 2.846%, compared with 2.823% Monday. Yields rise as **bond prices** fall.

Even though the yield curve—the spread between short- and long-term government bond yields—has continued to flatten this year, investors shouldn't necessarily interpret that as a signal to step away from stocks, said Kate Warne, investment strategist at Edward Jones.

"Rebalancing is important, but getting out of stocks is not the right move," Ms. Warne said, adding that stocks still have room to rise.

The fact that investors also appear to remain cautious is also reassuring, said Wells Fargo's Mr. Davidson, who sees it as a sign of the market's health.

Elsewhere, the Stoxx Europe added 0.2%. In Asia, Japan's Nikkei Stock Average finished up 0.1% while Hong Kong's Hang Seng was up 0.6%.

Georgi Kantchev contributed to this article.

Write to Akane Otani at akane.otani@wsj.com and Allison Prang at allison.prang@wsj.com

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Business Day
Apple's $1 Trillion Milestone Reflects Rise of Powerful Megacompanies

By Matt Phillips
1,725 words
2 August 2018
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NYTFEED
English

U.S. Steel. General Motors. AT&T. Exxon Mobil.

Small potatoes.

Apple on Thursday reached a milestone that these icons of capitalism never dreamed of: a market value of more than $1 trillion.

That landmark is the result of an extraordinary corporate success story. In a span of just 21 years, a near-bankrupt computer maker evolved into the most valuable publicly traded company in the United States, pushing the tech industry away from big, bulky machines and producing some of the world's most popular consumer products, like the iMac, the iPod and the iPhone. Apple's products have reshaped swaths of everyday life.

Apple's new 13-figure valuation highlights how a group of enormous companies has come to dominate the United States economy. Today, a smaller cluster of American companies commands a larger share of total corporate profits than since at least the 1970s.

The impact of this phenomenon has been clear in the stock markets, where a band of household-name companies — led by Apple, Amazon, Facebook and Google — has fueled the nine-year **bull market**, the second-longest behind the rally that ended in 2000. Their successes also are propelling the broader economy, which is on track for its fastest growth rate in a decade.

But the effects of the consolidation of corporate profits extend far beyond the stock markets — and they are not entirely benign.

Economists, for example, are starting to look into whether the rise of so-called superstar firms is contributing to the lackluster wage growth, shrinking middle class and rising income inequality in the United States. The vast social and political influence wielded by these megacompanies has prompted some lawmakers to demand more regulation to rein them in.

"It's one of the most important trends that we're experiencing," said Roni Michaely, an economist at the University of Geneva. "It's really about economic growth, economic inequality and consumer welfare."

In the past few decades, a profound shift has taken place in the distribution of corporate profits among American companies. In 1975, 109 companies collected half of the profits produced by all publicly traded companies. Today, those winnings are captured by just 30 companies, according to research by Kathleen M. Kahle, a University of Arizona finance professor, and René M. Stulz, an economist at Ohio State University.

On Tuesday, Apple reported the latest in a string of strong quarterly earnings, with its profit increasing to $11.52 billion, up nearly a third from the same period a year earlier. The report helped bolster the company's **stock price**; as of Thursday, Apple's shares were trading at $207.39.

The difference between how much it costs American companies to make their products and how much they sell those products for — a metric of the power that companies possess in their markets — is at its highest level since at least 1950, according to a 2017 paper by two economists, Jan De Loecker of Princeton and Jan Eeckhout of University College London.

More than three-quarters of all American industries have grown more concentrated since 1980, as measured by the Herfindahl-Hirschman Index, the standard formula that antitrust regulators and others use to analyze proposed corporate mergers, according to a paper written by Professor Michaely, along with Gustavo Grullon of Rice University and Yelena Larkin of York University in Toronto.

A consensus has formed among economists that the trend toward corporate concentration — in terms of the size of companies and their grasp on profits — is real and may be long-lasting. “The number of papers that are being written on this from week to week is remarkable,” said David Autor, a Massachusetts Institute of Technology economics professor who has studied the phenomenon.

The consolidation is especially pronounced in the technology sector, where a group of large, efficient companies now lord over the fastest-growing and most dynamic parts of the United States economy.

When the iPhone was introduced in 2007, it quickly transformed the way society interacts with technology. More than 1.4 billion have been sold since.

Apple and Google combined now provide the software for 99 percent of all smartphones. Facebook and Google take 59 cents of every dollar spent on online advertising in the United States. Amazon exerts utter dominance over online shopping and is getting bigger, fast, in areas like streaming of music and videos.

But the trend is not confined to technology.

Today, almost half of all the assets in the American financial system are controlled by five banks. In the late 1990s, the top five banks controlled a little more than one-fifth of the market. Over the past decade, six of the largest United States airlines merged into three. Four companies now control 98 percent of the American wireless market, and that number could fall to three if T-Mobile and Sprint are allowed to merge.

Consolidation begets profits. “Whoever is left is more profitable and can generate higher returns to investors,” said Professor Larkin, who has studied the impact of corporate consolidation on **financial markets**.

That is great news for the stock markets.

This year, five tech companies — Facebook, Apple, Amazon, Netflix and Google’s parent, Alphabet — have delivered roughly half of the gains achieved by the **Standard & Poor**’**s 500**-**stockindex**. Apple is the only company with a $1 trillion market value, but Amazon this year has been nipping at its heels. It is currently valued at more than $880 billion.

Of course, this is good only as long as profits keep pouring in. If the tech companies’ shares start to sputter, “it’s going to be tough for the rest of the market to keep things propped up,” said Justin Walters, a co-founder of the Bespoke Investment Group, which researches the **stock market**.

And in the labor market, scholars have linked corporate consolidation to rising income inequality and the declining share of the nation’s wealth that goes to workers. The so-called labor share of the economy has been declining in the United States and other rich countries since the 1990s, coinciding with the trend toward corporate concentration. And that decline has been most pronounced in industries undergoing the greatest consolidation.

Economists disagree about cause and effect. Some say that companies like Apple, Amazon and Google spent lavishly to establish their dominant market positions, and can now make enormous profits without spending much, as a share of their income, on labor.

Other economists argue that with fewer companies in a given industry, there is simply less competition for workers and therefore little pressure to give raises to workers. That may be especially true in industries where skills are highly specialized, because it is harder for workers to look elsewhere for better pay. Recent research has highlighted examples of companies colluding to keep wages low by agreeing not to poach each other’s workers and by inserting provisions into workers’ contracts that bar them from joining competitors.

Some on the left take the critique a step further, arguing that greater corporate power translates into weaker antitrust enforcement, looser limits on campaign contributions and declining rates of unionization, which collectively make it easier for big companies to tilt the economy in their favor. Companies, in this view, are not just reaping bigger profits than they were in the past, but they are also feeling less pressure to share the spoils with workers.

Although companies tend to gain power as they grow, that does not make them invincible. They can simultaneously become more susceptible to crippling assaults from politicians and regulators. That is especially true at a time when populism has gained currency on both the left and the right.

The same tech companies that are vacuuming up a greater share of corporate profits are also in the cross hairs of governments around the world.

Googlewas recently fined a record $5 billion by European antitrust regulators who accused the search giant of abusing its market position by forcing mobile phone companies to install Google apps on their phones.

Facebook is being forced by angry politicians and regulators to do more to safeguard users' data and to prevent its platform from being used to interfere with American elections. Last week, Facebook reported that its growth was slowing and it was increasing spending on privacy and security. Its shares plunged 19 percent, lopping roughly $120 billion of the company's market value in a single day.

And President Trump has repeatedly taken aim at Jeff Bezos, Amazon's chief executive. Mr. Trump — who has expressed anger about coverage of his administration in The Washington Post, which Mr. Bezos bought in 2013 — has accused Amazon of not paying enough taxes and of taking advantage of the United States Postal Service. If Mr. Trump's rhetoric translates into policy changes, it could hit Amazon's bottom line.

Apple's better-than-expected quarterly profit set the stage for its market value to top $1 trillion. But executives issued a cautionary note: The trade war with China — where Apple generates about 18 percent of its revenue — threatens the company's ability to keep raking in profits at its current clip.

"A year ago, the big tech companies were basically untouchable," said Luigi Zingales, a finance professor at the University of Chicago who has studied government regulation and corporate behavior. "Today, they seem not to be."

Ben Casselman contributed reporting.

* Apple Is Worth $1 Trillion; 21 Years Ago It Was on the Brink of Bankruptcy

* Why Is Pay Lagging? Maybe Too Many Mergers in the Heartland

* How Noncompete Clauses Keep Workers Locked In

* 'Superstar Firms' May Have Shrunk Workers' Share of Income

Apple on Thursday reached a market value of more than $1 trillion, a milestone that highlights how a group of enormous companies has come to dominate the United States economy. | Emma Howells/The New York Times | More than three-quarters of all American industries have grown more concentrated since 1980. Scholars have linked corporate consolidation to rising income inequality. | Spencer Platt/Getty Images | An Apple store in New York. This year, five tech companies — Facebook, Apple, Amazon, Netflix and Google's parent, Alphabet — have delivered roughly half of the gains achieved by the **Standard & Poor's 500-stockindex**. | Emma Howells/The New York Times

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Streetwise: Sorry for Quibble, but This Record Is Bull

By James Mackintosh
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23 August 2018
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English

Investors in big U.S. stocks will have no trouble believing that we are in the longest **bull market** ever, with Wednesday setting a new "record" of 3,453 days. Quibbles about exactly what happened in 1990, 1998 or 2011 won't matter for those who had the foresight and luck to hold the **S&P 500** during its 320%-plus run from the low of March 9, 2009.

What truly matters for investors is that the market has gone up a lot -- really, a lot -- over a long period. But given how much attention bull markets and new records get, it is worth spending a bit of time on the quibbles.

The widely accepted definition of a **bear market** is a drop of 20% from the last peak in this cycle, while bull markets are usually measured from the lowest point reached until the peak before the next **bear market**.

On this basis, the broad U.S. market has only been in a bull phase since October 2011, when most stock gauges were back in a **bear market**, down 20% from their postcrisis highs hit earlier that year.

The S&P 1500, Russell 1000, Russell 3000 and Wilshire 5000 were hurt by their holdings of smaller companies, which fell fast as the market plummeted after the U.S. credit-rating downgrade and eurozone implosion.

The **S&P 500** itself fell 19.4% from its postcrisis closing high to the closing low of October 2011, although even here we can split hairs. Use intraday highs and lows and the index was down 21.6%, for a new **bear market**. Certainly to many investors it felt like a renewed panic and nothing like a **bull market**.

Whether today marks a record is open to doubt either way. Based on closing prices, there was no **bear market** from 1987 until 2000 in the **S&P 500**, making that by far the longest bull run. Based on intraday prices, there were bear markets in 1990 and 1998, but that run was still longer than the run since 2011.

This is the financial historian's equivalent of counting angels on the head of a pin. Who cares how long this **bull market** has been going, so long as you are making money? And U.S. stocks have been making big money. From 2009 to 2011 they rebounded with the rest of the world, but since then they have soared. Measured in dollars, British, eurozone, Japanese and emerging-market equities have all roughly doubled from the 2009 lows (emerging stocks bottomed out a few months earlier), while U.S. stocks have quadrupled.

This isn't about a weaker dollar, at least against other major currencies. A weak currency can certainly help stocks priced in that currency -- just look at the Caracas stock exchange's 17,266% gain this year, before Venezuela's bolivar was abolished to try to deal with hyperinflation. But the dollar has strengthened from its 2009 lows against most currencies and barely had any inflation.

After the financial crisis a focus on the recent trouble helped keep investors cautious, but that restraint is long gone. Investors again are relying on hope when they part with their money, and signs of excess are easy to find. But for all the excess, it is still hard to identify a true bubble.

Booms don't have to end in unsustainable exuberance and froth, but history suggests they often do.

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Banking & Finance: A Bull Record, for Now

By Michael Wursthorn
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The debate about the longest-ever **S&P 500** rally is alive and well.

The **S&P 500** has been in a "**bull market**" for 3,453 days, meaning it is at least 20% above a previous low and hasn't suffered a 20% decline from a record in almost 10 years.

For now, that is a day longer than the previous record **bull market** -- the one that ended in March 2000 with the collapse of the tech bubble -- according to S&P Dow Jones Indices.

But the case isn't quite closed yet. In the argot of the **stock market**, the latest **bull market** hasn't yet been "confirmed" by a record closing high. The **S&P 500** hit a new all-time intraday record on Tuesday at 2873.23, but many analysts view a closing record as the relevant standard. That would be the Jan. 26 close of 2872.87, about 10 points north of where the index closed on both Tuesday and Wednesday.

This all might seem impossibly arcane, but there is some small part of financial history at stake. In the (for now) unlikely event that the **S&P 500** drops 20% before it reaches a new closing high, the current **bull market** that started in March 2009 will be rolled back and judged retrospectively to have ended with the last record close, said Howard Silverblatt, a senior index analyst with S&P Dow Jones Indices. That would shave 208 days from the current bull and restore 1990-2000 as the longest bull run in history.

Other market participants view intraday data as sufficient for settling these sorts of debates, reasoning that the longstanding reliance on closing data is a relic of the past, when few had access to real-time data and powerful computers weren't widely available to quickly spit out factoids and comparisons with previous periods.

They contend the **S&P 500** intraday record Tuesday stands and that even if the index now drops 20% over coming days, months and years, it would be tied for first with the bull run of the 1990s.

It isn't unusual for the index hit several intraday records and fail to clinch a new closing high before sliding into **bear-market** territory. In 2007, the **S&P 500** reached a closing high of 1565.27 on Oct. 9, and proceeded to hit two more intraday records in the ensuing days. But the index went on to fall 56% over the next year-and-a-half as the financial crisis deepened, and the **S&P 500** wouldn't hit another closing record until March 28, 2013.

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THE WALL STREET JOURNAL.
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Jitters in Commodities Spread to Stocks

By Amrith Ramkumar
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English

A rout in commodities and emerging-market assets spilled over to U.S. stocks Wednesday, the latest sign that underlying worries about the global economy continue to hang over the long-running **bull market**.

The **Dow Jones Industrial Average** and **S&P 500** fell for the fifth time in the past six sessions, with the Dow dropping as much as 334 points before closing down 138 points, or 0.5%, at 25162. The **S&P 500** was 1.9% below its January record following its worst day since late June, after coming within 0.5% of its all-time high last week.

While the benchmark U.S. stock gauge remains up 5.4% for the year, analysts said the recent declines reflect investor skepticism that U.S. stocks can continue outperforming nine years into their rally. The **S&P 500** has struggled to surpass its prior high as longstanding fears that protectionism will hurt growth and a currency rout in Turkey and other countries weigh on sentiment.

The **volatility** in Turkey has spooked some investors because similar bouts of economic weakness in other countries from Brazil to Italy have jolted markets in recent months. Investors seeking growth opportunities have piled into emerging markets for years, so some analysts worry about the repercussions if those flows reverse, even though few economists see Turkey's meltdown spreading.

Investors sold risky assets from global stocks to commodities Wednesday for the first time in recent weeks. Major stock indexes in Asia and Europe fell, while copper tumbled 4.4% into **bear-market** territory, a drop of more than 20% from a June four-year high. Palladium, zinc and lead all followed copper prices lower, while oil settled at a two-month low.

Many investors use commodities as an economic indicator because of their widespread use in building everything from vehicles to smartphones. The continued slump in commodity prices, along with a yield curve that is at one of its flattest levels since 2006, have caused many to worry that the **stock market** is at a turning point. A narrow gap between short- and long-term Treasury yields has historically signaled unease about long-term growth.

While the sweeping nature of Wednesday's declines rattled some analysts, many expect U.S. stocks to rebound because the economy and earnings look healthier than they have in years.

"All these factors just add more fuel to the fire," said Jeff Carbone, managing partner at Cornerstone Wealth. "It's a quieter period after earnings season, so we have a higher concentration on the negative."

The catalyst for this week's tumble in risky assets was weak economic data on Tuesday from China, which intensified concerns that the country's trade spat with the U.S. could further derail growth.

The data showed Chinese fixed-asset investment hit its lowest level in nearly two decades in the first seven months of the year. Analysts said weaker-than-expected earnings from internet giant Tencent Holdings Ltd. added to worries. Technology and internet stocks in the U.S., the market's leaders in recent years, were among the worst-performing groups Wednesday.

Turkey also sharply raised tariffs on some U.S. imports, extending the fight between the two North Atlantic Treaty Organization allies.

The declines in corners of the market tied to global growth mark a stark reversal from last year, when robust economic performance around the world lifted global stocks and commodities in tandem.

Although some analysts think the sharp declines in commodities and currencies are isolated to specific countries, others are growing more nervous that they portend a global economic slowdown that will hurt U.S. companies.

"It drives people to say, 'I'm going to take some money off the table,'" said Mariann Montagne, senior portfolio manager at Gradient Investments.

Some analysts fear that if declines in global stocks and commodities continue in unison, more investors will broadly sell growth-sensitive assets, exacerbating market moves. That occurred in February, when the **S&P 500** and Dow plunged into correction territory for the first time in more than two years.

Money managers have sought shelter in the U.S., pushing the WSJ Dollar Index to its highest level since May 2017. That in turn makes assets priced in the U.S. currency more expensive for overseas buyers. When the dollar rises, U.S. exports become less competitive in global markets.

Analysts are waiting to see if global growth momentum will stay in the U.S., which just posted its strongest quarterly growth rate in nearly four years. Some question whether that pace can be maintained and if the U.S. will cease to be a haven despite trade disputes.

Despite recent market declines, some investors remain confident that steady U.S. earnings and economic growth will underpin future gains. August is typically a **volatile** month marked by thin trading volumes since it coincides with a peak vacation period, so some investors see the recent market swings as a temporary, seasonal phenomenon.

Investors also are looking ahead to the impact of $16 billion of additional tariffs on Chinese imports set to take effect next week. Trump administration trade officials are also expected to hold public hearings on a roster of $200 billion worth of imports being considered for 25% tariffs.

"That could be another potential trigger for capitulation or a new round of worries," said Paul Christopher, head of global market strategy for Wells Fargo Investment Institute.

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THE WALL STREET JOURNAL.

Markets

As U.S. Bull Market Powers Ahead, Rest of World Is Left Behind; Most major stock markets have fallen short of the S&P 500 since it bottomed during the financial crisis

By Steven Russolillo and Mike Bird
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English

U.S. stocks are on the verge of the longest **bull market** in history. Investors elsewhere have not had it nearly so good.

Most major stock markets have fallen short of the **S&P 500** since it bottomed on March 9, 2009, during the financial crisis.

Indexes in Japan, China and Europe have lagged behind the U.S. Markets in Portugal and Greece are lower from where they were 9½ years ago. And the rise in a broad gauge of emerging markets is less than half that managed by the **S&P 500**.

The gulf is partly a testimony to U.S. economic dynamism. For a start, the country and its banks rebounded faster from the financial crisis than Europe, while Japan is still emerging from decades of stagnation. And although technology is reshaping the world, no market has benefited more from the rise of tech giants such as Amazon.com Inc. and Facebook Inc.

The rally also cuts against the conventional notion that investors should enjoy outsized returns for the risks they assume by venturing into riskier countries in earlier stages of development.

"The U.S. was the first to get hit in the financial crisis, and also the first to start recovering," said Hannah Anderson, global market strategist at J.P. Morgan Asset Management. "Other markets were still going through a lot of pain when the U.S. **bull market** was already ongoing."

The divergence between the U.S. and the rest of the world has grown more stark this year. U.S. economic growth hit its fastest pace in nearly four years in the second quarter and earnings are soaring.

"This has been a period of rapid profit growth that has pretty much outstripped any other period in U.S. economic history," Ms. Anderson said.

That has helped U.S. markets pull away from the rest of the world, something many investors say could continue. The **S&P 500** is less correlated to markets in Japan, Britain, Germany and France than in all but two instances over the past 20 years, according to Simon Derrick, a strategist at BNY Mellon. In August, fund managers were more positive about U.S. equities than any other region for the first time in five years, according to a monthly survey by Bank of America Merrill Lynch.

A boom in technology has contributed to the rally in U.S. stocks. During this **bull market**, usually defined as an upward run unbroken by a selloff of 20% or more, tech stocks have outperformed every other global sector. Such companies make up more than a quarter of the **S&P 500**, but slightly less than 5% of the Stoxx Europe 600.

In the U.S., the **S&P 500** has gained 320% since the market bottom over nine years ago. The next closest rival is Japan, with the Nikkei 225 index gaining over 200%, while Hong Kong's Hang Seng has gained nearly 150%.

In mainland China, the Shanghai Composite is up only 27% since March 2009. The divergence has intensified in recent months as trade escalations continue. The Shanghai index tumbled into a **bear market** earlier this summer.

Some of the worst-performing equity markets can be found in Europe, where sectors and entire countries have struggled to recover from the sovereign debt crisis in the eurozone.

Though the continent's broad Stoxx 600 index has risen by 64%, low interest rates, slow growth and sickly balance sheets have hurt the region's banks, which are down 8%.

Most emerging markets have also struggled to keep up. The MSCI Emerging Markets Index has risen by about 150% during the U.S. **bull market**, but has stumbled of late, falling near **bear-market** territory.

Some investors worry that U.S. valuations have gotten too rich. The **S&P 500** trades at nearly 18 times projected earnings for the current financial year, well above its 10-year average, according to Thomson Reuters. In contrast, the Shanghai Composite trades at 10.2 times forward earnings, while the Stoxx 600 fetches 14.5 times.

"The relative valuation of emerging market equities versus broader global equities remains very attractive," said Michael Levy, a portfolio manager at Barings.

Guillermo Felices, a senior fund manager at BNP Paribas Asset Management, said the gap between returns on U.S. stocks and overseas peers was likely to narrow. "The [economic] cycle is more mature, and interest rates are starting to rise. That makes the outperformance of the U.S. market more difficult," he said.

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The New York Times

Strategies
Business Day
What if the Economy and Markets Are Even Better Than They Look?

By Jeff Sommer
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English

You won't lose much money if you're prepared for the worst.

While the **stock market** has been hot lately, warnings of trouble ahead have been multiplying. And the odds of a recession by 2020 are mounting, or so the warnings go.

But what if the good times that are evident in important sectors of the markets and the economy just keep rolling, at least for a while?

That **bullish** possibility has arguably been underplayed, given the strength of the current numbers. And there is a strong, contrarian case that failing to appreciate the power of the current economy and markets will have serious implications that transcend finance and affect politics, too, generally helping Republicans and hurting Democrats.

Consider, first, that after months of setbacks, the American **stock market** reached new highs repeatedly over the last few weeks. In fact, it was one of the best Augusts the **stock market** has had in years.

What's more, consumer confidence has soared to levels unseen since October 2000, according to the Conference Board. And the United States economy's annual growth rate — 4.2 percent in the second quarter — was the best in nearly four years, while the unemployment rate, 3.9 percent, hovers near its lowest level in decades.

That statistical snapshot depicts a **stock market** and an economy that are prospering. Barring an unexpected event, the simplest prediction is that we'll have more of the same. Why, then, are so many people worried that bad times are coming?

I'll confess that I'm a worrier myself, having written recently that Vanguard, the widely trusted $5 trillion money manager, says the risks of a recession by 2020 have risen while the prospects for **financial markets** over the next decade have declined.

The Vanguard arguments are compelling: Short-term interest rates are rising faster than longer-term ones, moving us closer to a critical threshold for a dreaded inflation predictor, a so-called inverted yield curve. And credit markets are heading in a direction that often presages economic stress.

Furthermore, the long rallies in both the stock and the bond markets, which have made investing look relatively easy since early 2009, are unlikely to be sustained for years to come. At some point, they will falter. It appears that the bond market may already have begun to do so. Vanguard projects reduced returns for stocks and bonds over the next decade.

In addition, the risk that the markets and economy will be derailed by a truly major political, constitutional, military or trade crisis during the Trump administration, while difficult to quantify, cannot be easily dismissed. There are many potential calamities to choose from. Any one of them could lead to an economic disaster.

But timing is everything. Even if you are convinced that disaster is coming, deciding exactly when to take risk out of your portfolio matters tremendously.

From a purely financial standpoint, staying on the sidelines in the current **bull market** has been excruciatingly costly. From the beginning of this year through Thursday, for example, the **Standard & Poor's 500**-**stockindex** returned 15.5 percent. If the market keeps powering ahead, and you avoid stocks entirely because you are afraid of a crash, you will fall further behind.

There are political implications, too. There are already ample reasons to suspect that the current strength of the market and the economy is hurting Democrats in their efforts to regain control of Congress in the November midterm elections.

Ray C. Fair, the Yale professor who is a pioneer in demonstrating the predictive power — and the limits — of economics in election forecasting, has quantified that issue. He says that the surge in gross domestic product growth in the second quarter appears to have given the incumbent Republican Party a measurable boost.

His forecasts, made with an open-source program that he maintains as a teaching tool on his Yale website, are not always entirely on the mark, but they are always instructive. They disregard the specifics of campaigns and candidates, focusing only on shifts in the economy and a series of historical correlations, like the tendency of voters to become bored with incumbent politicians, counterbalanced by the tendency of a strong economy to favor the incumbent party.

Using only economic variables and data from elections over the last century, Professor Fair projects that the Democratic Party is likely to win 50.74 percent of the two-party popular vote for the House. "It is probably less than what the Democrats need to gain control of the House, although I do not have an equation that translates the vote share into House seats," he said on his website.

In an interview, Professor Fair explained: "I don't attempt to convert the popular vote into an actual forecast, state-by-state, with all the gerrymandering and other factors that are so important. I leave that to the political scientists."

The second quarter G.D.P. growth — a variable in his equation that captures the good feelings generated by the economy and the **stock market** — had the effect of subtracting about 1 critical percentage point from the Democratic share in his projection. Another strong showing in the current quarter, which he defines as an annual growth rate of at least 3.2 percent, would move the Republicans ahead in the popular vote in November, according to his algorithm.

But he is the first to admit that his equations don't capture the inimical style of President Trump. For the last presidential election, for example, Professor Fair's algorithm indicated that economic as well as political factors strongly favored the Republican Party. His projections said Republicans would capture 56 percent of the popular vote, giving its presidential candidate a landslide victory. Professor Fair was off by 7.1 percentage points (though he did project a Trump victory, unlike most forecasters).

"Had the Republicans nominated a more mainstream candidate, they may have done much better — much closer to what the equation was predicting," he wrote. Mr. Trump's "personality" and combative approach to politics could reduce the Republican tally again in the midterm elections, according to Professor Fair, and swing the vote to the Democrats. "I just have no way of capturing that," he said.

Mr. Trump's unconventional approach to the presidency is undoubtedly making it more difficult, as well, to accurately assess the trajectory of the markets and the economy themselves.

Edward Yardeni, an independent **stock market** analyst, made that point in a series of reports in August. Mr. Yardeni, who describes himself as "a conservative-leaning fellow," said that on contentious issues, from tax cuts to trade disputes to deregulation, **financial markets** have been "giving quite a bit of weight to the possibility that this all will lead to less protectionism and greater global prosperity" — and to a rising **stock market**.

That's not my baseline assumption, but it could happen. What if the **stock market** keeps ascending, the economy continues to grow, and Mr. Trump and a flock of Republicans do their utmost to take credit for it?

I'm hedging my bets.

Follow Jeff Sommer on Twitter: @jeffsommer

Minh Uong/The New York Times

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

Tech Stocks Lift S&P 500; Nasdaq Composite climbs 1.2%, buoyed by upbeat quarterly results; Apple's market value tops $1 trillion

By Michael Wursthorn
779 words
2 August 2018
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Shares of technology companies rallied Thursday to lift the S&P 500, even as investors grappled with the Trump administration's threat to deepen its trade spat with China.

Tech stocks continued to flex their muscles after several more companies, including car maker Tesla and software company Global Payments, reported upbeat results. The gains spilled over to the broader tech sector, while a postearnings bounce helped push Apple's market value above $1 trillion, making it the first U.S. company ever to surpass that mark.

The strong earnings helped reinvigorate a corner of the stock market that has been struggling in recent days. Weak earnings from popular stocks such as Facebook and Netflix caused the S&P 500's tech sector to contract 2.2% over the past eight trading sessions through Wednesday. The sector's 1.4% rise Thursday, the most of the S&P 500's 11 sectors, was enough to swing tech stocks back into positive territory for the week.

The upbeat results among tech companies, as well as some consumer-staples firms, helped offset the latest concerns of a protracted trade dispute between the two biggest economies in the world.

The tech-heavy Nasdaq Composite rose 95.40 points, or 1.2%, to 7802.69, while the broader S&P 500 added 13.86 points, or 0.5%, to 2827.22. The Dow Jones Industrial Average declined 7.66 points, or less than 0.1%, to 25326.16.

Investors are realizing that despite some apparent weakness in pockets of the technology industry, companies throughout the sector are growing profits and sales at an impressive pace, some money managers said. S&P 500 tech stocks are on pace to increase earnings 32% from a year earlier, topping the rosy estimates analysts had pegged to the sector last month, according to FactSet.

"Earnings have been ratcheting higher the past few weeks, helping investors to look past any trade issues," said Tom Stringfellow, chief investment officer at Frost Investment Advisors. "Those that are reporting good results are being rewarded."

With nearly 400 companies in the S&P 500 having reported results, about 73% have topped earnings expectations and 59% have seen stock prices rise, according to FactSet.

Tesla jumped $48.70, or 16%, to $349.54—its biggest percentage increase since 2013—after it reassured investors it would achieve a profit later this year and said sales of Model 3 cars helped the electric-car maker burn less cash than expected.

Shares of Global Payments added 7.28, or 6.5%, to 119.18 after it reported profit and sales ahead of analysts' expectations, as well as the acquisition of software provider AdvancedMD.

Apple, which had reported strong results earlier this week, gained an additional 5.89, or 2.9%, to 207.39, putting its market cap just above $1 trillion. Apple shares are up 8.6% so far this week.

Meanwhile, household-product makers Clorox and Church & Dwight reported better-than-expected results, lifting shares of those firms and the broader consumer-staples sector. Clorox shares rose 8.28, or 6.2%, to 142.44 to cut its loss for the year to 4.2%, while Church & Dwight added 1.64, or 3%, to 56.79.

The results helped steady a **stock market** that has been worried about the ramifications of an escalating trade fight. The Stoxx Europe 600 fell 0.8%, while the Shanghai Composite and Hong Kong's Hang Seng each shed at least 2% after U.S. officials threatened to more than double proposed tariffs on $200 billion of Chinese goods.

The Trump administration is attempting to put pressure on Beijing to address a more than $300 billion trade imbalance between the countries, but the escalating trade tensions have been sapping confidence from **stock-market** investors who worry tariffs and other protectionist measures will slow economic growth and crimp corporate earnings.

"A trade war could be a real threat to the margins and multiples of a large chunk of the **equity market**," Vontobel Asset Management's equity team wrote in a recent report. "It certainly introduces to the market at large an element of risk we haven't seen in a long time."

—Ben St. Clair contributed to this article.

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THE WALL STREET JOURNAL.

Markets

Stocks Drop Amid Concerns About Turkey; Dow Jones Industrials, S&P 500 snap five-week streaks of gains as investors flock to safer assets

By Ben St. Clair and Akane Otani
626 words
10 August 2018
05:42 PM
The Wall Street Journal Online
WSJO
English

The **S&P 500** and **Dow Jones Industrial Average** fell Friday, snapping a five-week streak of gains, as renewed trade tensions and a slide in the Turkish lira rippled across global markets.

Trading had been relatively quiet for much of the week with the corporate earnings season winding down, keeping major indexes in a relatively narrow range through Thursday.

But stocks around the world lost traction Friday as selling accelerated in the Turkish lira, sending the currency to a fresh low against the dollar and raising fears that the country may be unable to repay debt denominated in other currencies.

The Dow industrials slumped 196.09 points, or 0.8%, to 25313.14. The **S&P 500** slipped 20.30 points, or 0.7%, to 2833.28 sliding further from its January high, and the technology-heavy **Nasdaq Composite** dropped 52.67 points, or 0.7%, to 7839.11, breaking an eight-session winning streak.

For the week, the Dow industrials dropped 0.6%, while the **S&P 500** posted a 0.2% loss and the **Nasdaq** advanced 0.3%.

Although markets wobbled Friday, many investors and analysts remain optimistic about the nine-year **bull market**. With results in from 91% of companies, the **S&P 500** is on track to report the second fastest pace of earnings growth since the third quarter of 2010, according to FactSet.

"Away from the trade war, just about everything is lining up positively," said Julian Emanuel, chief equity and derivatives strategist at BTIG.

Yelp shares jumped $1.02, or 2.1%, to $49.35 Friday, extending a rally from Thursday that started after the online review company reported record growth in paying advertising accounts.

Lions Gate Entertainment jumped 1.07, or 4.6%, to 24.21 after reporting stronger-than-expected earnings and revenue for the second quarter.

As concerns about Turkey chipped away at investors' appetite for risk Friday, U.S. government bonds and the dollar strengthened.

The WSJ Dollar Index, which measures the dollar against a basket of 16 currencies, climbed 0.94%, while the yield on the benchmark 10-year U.S. Treasury note fell to 2.859% from 2.935% Thursday. Yields fall as **bond prices** rise.

Meanwhile, a measure of expected stock swings climbed. The Cboe **Volatility** Index, sometimes referred to as Wall Street's "fear gauge," jumped 17% in its biggest one-day percentage climb since June.

Many investors have shied away from emerging markets this year as a rising dollar and U.S. interest rates have made dollar-denominated debt more expensive to pay back and refinance. Strong U.S. corporate earnings and positive economic data have also given investors fewer reasons to invest in riskier markets.

"I don't see that market backdrop changing terribly quickly," said Neil Veitch, global investment director at SVM Asset Management.

The Turkish lira slid 14% Friday, adding to the currency's losses this week after the U.S. imposed sanctions and investors fretted about the health of the country's financial system.

The Stoxx Europe 600 fell 1.1%, following Asian markets lower. Hong Kong's Hang Seng fell 0.8% and South Korea's Kospi shed 0.9%. The Shanghai Composite Index edged slightly higher, ending a week in which Chinese stocks have seesawed amid the trade tensions.

Write to Akane Otani at akane.otani@wsj.com

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

S&P 500 Pulled Down by Energy, Materials Sectors; Turkey's economic turmoil and fears of possible contagion continued to strain markets

By Gunjan Banerji and Ben St. Clair
753 words
13 August 2018
06:32 PM
The Wall Street Journal Online
WSJO
English

U.S. stocks fell Monday, weighed down by shares of energy and materials companies as **oil prices** ebbed lower.

An economic crisis in Turkey continued to spill over to global markets, leading investors to flee riskier assets such as equities. Falling **oil prices** to start the week also put pressure on stocks.

The moves lower for the **Dow Jones Industrial Average** and **S&P 500** come after they finished their worst week in more than a month. Other global stock markets also declined Monday as Turkey's economic turmoil and fears of possible contagion continued to strain markets.

The **S&P 500** fell 11.35 points, or 0.4%, to 2821.93. The **Dow Jones Industrial Average** lost 125.44 points, or 0.5%, to 25187.70. The technology-heavy **Nasdaq Composite** swung between gains and losses before ending down 19.40 points, or 0.2%, to 7819.71.

The **S&P 500**'s energy sector slumped 1.2%, the worst performer among the index's 11 groups, as commodities prices fell, and the materials segment, which includes chemicals companies, fell 1%.

On Monday, Turkey's central bank said it would provide liquidity to banks as needed, according to a statement on its website, and announced a set of measures to support the lira. But a defiant speech from President Recep Tayyip Erdogan and policy moves from the nation's central bank didn't mollify investors about the country's fiscal condition.

The Turkish lira plunged 6.6% against the dollar on Monday, hitting its lowest level on record against the greenback. Those losses come on top of Friday's 13.8% decline. The lira's lurch lower has raised fears that Turkey may not be able to pay back debt denominated in other currencies and rattled other emerging markets, too.

Some indicators show "the situation isn't getting any better," said Charlie Ripley, senior market strategist at Allianz Investment Management.

For example, Italian **bond prices** dropped Monday as yields rose, an indication that Turkey's stress continued to creep through global markets, Mr. Ripley said.

Fears of Turkey contagion continued to weigh down banks' shares across Europe, too. Spanish banks lent $80.9 billion to banks based in Turkey in the first quarter, according to the Bank for International Settlements.

The Stoxx Europe 600 fell 0.2%.

Adding to Turkey's economic challenges, President Trump last week said the U.S. would double tariffs on steel and aluminum, to 20% and 50%, respectively. Analysts have said trade risks remain one of the biggest risks to the market going forward.

The Turkish government "has to make some changes and show that it's actually trying" to address the issue to give investors more confidence, said Bodhi Ganguli, lead economist at Dun & Bradstreet.

Though some investors doubt that Turkey's crisis will spill into other markets, emerging markets reliant on foreign investors showed strains Monday. Indonesia's JSX index recorded its worst decline since November 2016.

"We don't believe it's the canary in the coal mine for a broader emerging-market currency crisis," said Brent Schutte, chief investment strategist at Northwestern Mutual Wealth Management. "All of this is a reminder that we're entering a more **volatile** regime."

A measure of expected stock swings dubbed the Cboe **Volatility** Index closed at its highest level in more than two months.

Since 1950, August has recorded the second worst monthly performance behind September, and analysts said they expect more turbulence in markets ahead of elections this November.

Meanwhile, investors' demand for safer assets pushed the dollar to its highest point in more than a year. The WSJ Dollar Index, which measures the currency against a basket of 16 others, rose 0.3% Monday after its largest one-week point and percentage gain since late 2016.

Elsewhere, shares of Harley-Davidson fell $1.87, or 4.3% to $41.38 after President Trump encouraged a boycott of the company if its manufacturing moved overseas.

Asian stocks fell, with the Shanghai Composite Index 0.3% lower and Hong Kong's Hang Seng down 1.5%. Japan's Nikkei Stock Average shed 2%.

In commodities, U.S. crude dropped 0.6% to $67.20 a barrel, and gold fell 1.6% to $1,191.30 an ounce.

Write to Gunjan Banerji at Gunjan.Banerji@wsj.com

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Your Money

5 Steps to Take if the Market Drop Has You Thinking of Unloading Stocks

By Tara Siegel Bernard
1,270 words
22 August 2018
05:15 PM
NYTimes.com Feed
NYTFEED
English

Updated: Oct. 24.

It may be time for a gut check.

A decade-long **bull market** in stocks is hitting a difficult patch. On Wednesday, just weeks after stocks hit a new high, the benchmark **Standard & Poor**'**s 500**-**stockindex** erased all its gains for 2018.

For many investors, that raises a reasonable question: Should I be taking some money off the table?

The answer is the same as it always has been: If you have a well-constructed financial strategy, and your personal circumstances have not really changed since you put it in place, there is probably no reason to do anything at all.

If, however, you think you will be tempted to unload a chunk of your stocks now that the market has tumbled sharply, then a new plan or tweaks to the one you already have could make sense.

“Many people feel that they only have two options: Invest or not invest,” said Nicholas Scheibner, a financial planner with Baron Financial Group. “However, you have a third option — adjust.”

There are some glaringly obvious facts that bear repeating. Your investment portfolio is not the **stock market** — at least it shouldn’t be, unless you are 22, just starting out and have only 10 percent of your money allocated to a more stable investment category like bond funds. If the market plunges, your portfolio, if spread across a diversified mix of stocks and bonds, should not necessarily drop in tandem.

During its last big downturn, in 2008 and 2009, the **stock market** plummeted roughly 50 percent. An investment portfolio evenly divided between stocks and bonds would have lost nearly 29 percent of its value in that time, but it would have taken only about a year to recover, according to an analysis by Vanguard. A portfolio that was 100 percent stocks — and lost about 55 percent — would have taken about three years to recoup its losses.

Still, even the most rational investors among us — particularly those who need to tap into their portfolio within the next few years, for college tuition, buying a home or retirement — may feel a need to satisfy that itch to do something now that the market, after reaching such a lofty level, has begun to tumble.

But what? Here are five ideas:

Take the stomach-acid test

Your tolerance for risky investments, including stocks, should be built into your overall approach from the start. But circumstances and needs can shift over time. So it is worth considering whether your tolerance has changed, not with respect to the perceived level of the market itself, but in terms of what sort of drop you could tolerate, regardless of current market conditions. How did you feel during the market plunge 10 years ago? How did you react?

“If a 30 percent drop in the **stock market** would cause a loss in a portfolio that the investor knows they cannot stomach, they have too much exposure to stocks,” said Doug Bellfy, a financial planner in South Glastonbury, Conn. “But this test is valid, regardless of where the experts think the market is at any given time or guess it will be in the near future — and it is a guess.”

Consider how much risk your plans require

Responsible financial advisers have a mantra: Don't take on more risk than is necessary to reach your goals, whether it is the amount of money you think you need for retirement or for your child's tuition.

"For many who have invested wisely over the last 10 year **bull market**, they no longer need to be heavily invested in stocks," said James Sweeney, a financial planner in Lehi, Utah. "Their portfolio has grown to the point that they can reduce the risk and still meet their retirement goals."

That might mean slightly scaling back the slice of a portfolio allocated to stocks based on individual circumstances. The percentage will not be the same for everyone, and it is a delicate balance: You do not, for example, want to become invested too conservatively as you approach retirement; your portfolio might need to last three decades or more. That means you will need enough stocks to help your money grow and keep pace with inflation.

Move to cash as needed

If you have an imminent need for cash but your money is tied up in stocks, now might be a good time to shift into something conservative, particularly if the need is likely to arise in five years or less. If you expect to buy a home in that time, you will need all that money at once. If you are paying a tuition bill, you will probably only need a quarter of your savings a year over four years.

"The more concentrated the outflow, the more important it is not to have your money at risk to satisfy near-term goals," Mr. Bellfy said.

Retirees and people on the cusp of retirement have the most to lose if the markets come tumbling down. In such circumstances, keeping a year's worth of basic living expenses in cash may be helpful as a long-term strategy. It can keep retirees from locking in losses by having to sell investments when they are down.

Alex Doll, president of Anfield Wealth Management, suggested that retirees determine how much they needed to cover expenses for the next six to nine months, and how much would come from their portfolio to augment other income, like Social Security or a pension. This usually amounts to about 2 percent of a portfolio, which Mr. Doll said was generally not enough to derail a larger retirement strategy.

"This helps clients mentally as they know that their spending for the next six to nine months is safe in cash no matter what happens to the market," he said.

Protect the gains you've already made

If a financial professional or an automatic service is not already performing regular maintenance on your portfolio, now may be a good time to do it yourself. As markets rise and fall, the mix of investments you originally put into place can take a different shape. A portfolio that was supposed to be composed of 50 percent stocks may have risen to 55 percent over time.

To protect your gains, investors should consider selling investments that have ballooned beyond their initial target and reinvest the proceeds into the side of the portfolio that has shrunk, relatively speaking. Rebalancing is counterintuitive — selling winners, buying losers — but it helps rein in the amount of risk you are taking on.

Control what you can

Because most of us are not in a position to determine precisely when the mood of the markets will shift, it pays to focus on the things we can control: how much we spend, how much we save and what we pay for our investments, which is easier than ever to do.

"There's a lot to be said for doing a 'financial checkup,'" said Milo Benningfield, a financial planner in San Francisco, "both to uncover financial gaps and to rest easier knowing you've addressed everything in your control."

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* The Times Answers Your Questions About the Market Turmoil

Wall Street’s decade-long surge has even the most rational investors wondering whether they should change their investment strategies. | Jeenah Moon for The New York Times

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

U.S. Stocks Surge on Upbeat Earnings; The Dow records biggest one-day gain in four months; Walmart soars

By Akane Otani and Ben St. Clair
827 words
16 August 2018
04:23 PM
The Wall Street Journal Online
WSJO
English

* U.S. stocks rebound

* Walmart soars on earnings

* Copper, oil stabilize

U.S. stocks soared Thursday, bringing the **Dow Jones Industrial Average** its biggest one-day gain in four months, as upbeat earnings reports and stabilizing commodities prices helped calm investors' fears about the global economy.

Stocks around the world had slumped just a day earlier as fears about an economic crisis in Turkey spread through a variety of markets, pulling everything from copper to **oil prices** lower.

Much of the slide had been driven by concerns among investors that what had begun as a relatively limited pullback in emerging markets could trigger a more violent, durable reversal across risky assets around the world.

It was the latest shake-up for the **stock market**, which has struggled to reach new highs this year as investors have grappled with sliding commodities prices, fractious trade policies and the flattest yield curve in years—which has historically signaled unease about long-term economic growth.

Some of investors' worries appeared to fade Thursday as copper and the Turkish lira stabilized and a flurry of upbeat data and earnings reports pointed to sustained strength in the U.S. economy.

Many investors have said the recent **volatility** they have witnessed in emerging markets has only strengthened their conviction that the U.S. **stock market** will continue outpacing the rest of the world.

Signs that Washington and Beijing were willing to resume negotiations on trade also helped reassure investors, sending stocks and Treasury yields higher.

"What we've seen in the last two days has certainly been a story of contradictions—but the fact of the matter is that we're still trading near all-time highs and the consumer is still incredibly healthy," said JJ Kinahan, chief market strategist at TD Ameritrade. "This rally can continue."

The **Dow Jones Industrial Average** rose 396 points, or 1.6%, to 25558—notching its biggest one-day percentage gain since April 10. The **S&P 500** added 0.8%, nearing its January record, and the **Nasdaq Composite** advanced 0.4%.

Shares of companies that have swung on trade tensions rallied after officials in China and the U.S. signaled Thursday that the two countries would hold lower-level talks on trade later in August. The discussions would be the first since May, when talks fell through and both sides later imposed penalties on tens of billions of dollars in each other's goods.

Caterpillar jumped 3.2%, while Century Aluminum added 9.1% and Boeing rose 4.3%.

Gains in the consumer-staples sector also helped buoy major indexes, with Walmart soaring 9.3% after it reported sales rising at the fastest pace in more than a decade for the most recent quarter. The retailer's earnings—coming a day after Commerce Department data showed retail sales jumping in July—offered the latest sign that consumers, a key driver of U.S. growth, are on strong footing.

Technology shares also rose, with Cisco Systems jumping 3.0% after reporting its third-consecutive quarter of revenue growth.

"When you look at what companies are currently saying and most importantly how they're describing what earnings could be like over the next 12 to 18 months, it looks pretty good," said Mark Stoeckle, chief executive of Adams Funds.

The bright domestic outlook has helped investors look past **volatile** swings in other markets, Mr. Stoeckle said.

Elsewhere, stocks in Europe clawed back some of their declines from Wednesday, boosted by gains in the basic-resources and technology sectors. The Stoxx Europe 600 edged up 0.5%.

Major indexes in Asia extended a recent rout, however, as technology giants including Tencent Holdings and Samsung Electronics slid. The Shanghai Composite Index fell 0.7% and Hong Kong's Hang Seng ended 0.8% lower.

A stronger dollar and trade tensions have put pressure on developing economies in recent months. The rapid fall of the Turkish lira added to the strain as investors have worried about the possibility of the rout spreading beyond the country's borders.

Still, some of those fears have abated in recent days as the lira has chipped away at its losses, recently rising 2.1% against the U.S. dollar. In a show of support Wednesday, Qatar said it would inject $15 billion into Turkey with a package that includes direct investments and deposits.

When it comes to investing in emerging markets, "the timing is key," said Laurent Denize, co-chief investment officer of ODDO BHF Asset Management. "The timing is linked to politics."

Write to Akane Otani at akane.otani@wsj.com

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THE WALL STREET JOURNAL.

Markets

This Stock Market Gauge Keeps Toppling Its Record; The S&P 500 Total Return Index is hits new highs, while the more well-known S&P 500 trails behind.

By Michael Wursthorn
469 words
9 August 2018
08:00 AM
The Wall Street Journal Online
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The **S&P 500** has already hit a new record--when including dividends.

The benchmark's Total Return Index, which includes dividends in the returns of the **S&P 500**, has moved higher at a faster pace in recent sessions to again surpass its January highs.

That is an encouraging sign for the more well-known S&P index, which has repeatedly flirted with record levels but remains about half a percentage point below its all-time high set Jan. 26. The broad **stock-market** index, which doesn't include dividends, is up nearly 7% in 2018, just shy of the 8.1% advance for the total return index, as The Wall Street Journal's Markets newsletter noted Thursday.

In comparison, the technology-heavy **Nasdaq Composite** has hit repeated highs in the past two months, but the **Dow Jones Industrial Average**, which is more sensitive to trade tensions, is still 3.9% from its January high.

The total return index actually briefly breached its January record once before on July 25, but a slump in tech stocks following disappointing earnings reports from Facebook Inc. and Netflix Inc. pulled it back down. It has been steadily climbing again since the beginning of the month.

A run-up in the index's smaller-cap stocks and continued strong performance among high-growth-oriented companies in the consumer-discretionary and tech sectors has played a big part in pushing the total-return benchmark higher over the past several months, said Bespoke Investment Group, which highlighted the outperformance of the total return index in a research note this week.

Earnings have also helped, as companies in the **S&P 500** wrap up their third consecutive quarter of year-over-year double-digit profit growth. The **S&P 500** total return index has gained 7.5% in the past three months alone, accounting for much of its gain for the year.

Those factors have helped to tamp down **volatility**, giving indexes a clearer path to move meaningfully higher. Escalating trade tensions and concerns over the Federal Reserve's pace of interest-rate increases continues to occasionally spook the **stock market**, but the impact hasn't been as detrimental as it was earlier this year when major indexes plunged into correction territory amid fears of a pickup in inflation.

Wall Street's most well-known fear gauge, the CBOE**Volatility** Index, also known as the VIX, has been steadily falling to levels that haven't been seen since early January.

To receive our Markets newsletter every morning in your inbox, click here.

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

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

U.S. Stocks Little Changed Amid Positive Corporate Earnings; Renewed trade tensions have sapped some of investors' enthusiasm

By Michael Wursthorn
565 words
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The Wall Street Journal Online
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English

The **S&P 500** edged lower Thursday, as the latest round of corporate-earnings reports offered some support to a **stock market** reckoning with yet another trade volley.

The broad index struggled to gain traction, even after shares of several companies, including telecommunications firm CenturyLink and energy-drink maker Monster Beverage, rose following upbeat earnings results. After wobbling most of the day, the **S&P 500** fell for a second consecutive session.

Investors said renewed trade tensions sapped some of the market's enthusiasm after China threatened Wednesday to slap new tariffs on various chemicals and medical equipment, among other goods. Beijing released the list of items as part of its promise to keep pace with the U.S.'s trade threats, which caused stocks to sputter Wednesday, snapping a four-session streak of gains for the **S&P 500** and **Dow Jones Industrial Average**.

"We're trying to deal with tariffs, but who knows what [President] Trump could do tomorrow, and we don't know which of our companies are going to be hurt by trade issues," said Charlie Smith, chief investment officer of Fort Pitt Capital Group. "But the market is paying attention to whether tariffs are getting ramped up to the point it's hurting S&P earnings."

The trade sparring between Washington and Beijing has weighed on the **stock market** for much of the year so far, and several investors, including Mr. Smith, said the tit-for-tat responses are diluting the benefits of the corporate tax cut Republicans passed last year.

On Thursday, the **S&P 500** fell 4.12 points, or 0.1%, to 2853.58, while the **Nasdaq Composite** added 3.46 points, or less than 0.1%, to 7891.78. The Dow industrials declined 74.52 points, or 0.3%, to 25509.23.

Still, corporate earnings for the second quarter appeared strong. With 90% of the companies in the **S&P 500** having reported results, the firms have posted 25% growth in profits from a year earlier, according to FactSet. Even though some of those profits have come from the tax overhaul passed last year, the higher profits have helped the **S&P 500** move within striking distance of its last record—set Jan. 26.

Shares of CenturyLink rose $2.43, or 13%, to $20.97, putting it among the **S&P 500**'s top performers of the session, after it reported earnings above expectations and raised its 2018 guidance.

Monster Beverage reported higher sales and income in the second quarter, sending its shares up 1.58, or 2.7%, to 60.98.

Elsewhere, the Stoxx Europe 600 added 0.1%. In Asia, Chinese stocks pushed higher after losses Wednesday, as the Shanghai Composite Index gained 1.8% and Hong Kong's Hang Seng rose 0.9%. Both indexes are up this week but have seesawed amid the escalating trade dispute between the U.S. and China.

—Ben St. Clair contributed to this article.

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

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The New York Times

Foreign Desk; SECTA
Turkey's Lira Slides, Raising Fears a Crisis Could Spill Across Borders

By JACK EWING and ALEXANDRA STEVENSON; Carlotta Gall contributed reporting.
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English

Turkey's currency fell to another record low on Monday, hitting stocks in Europe and Asia and raising fears that the country is on the verge of an economic meltdown that could spread to other emerging markets.

The crisis, caused by soaring inflation, economic mismanagement by the Turkish government and tensions with the United States, has raised concerns over whether emerging economies that have benefited in recent years from foreign investment may also be vulnerable.

Rising interest rates in the United States and in Europe have made investors less tolerant of emerging markets. Foreign investors piled money into Turkish assets for years, lured by what appeared to be a stable economy and higher returns. But as interest rates rise in countries seen as safer, the relative attractiveness of riskier investments wanes. A crisis like the one in Turkey may be all it takes to send them fleeing.

Turkey's central bank insisted over the weekend that it would ''take all necessary measures'' to preserve the country's financial stability. But it has so far refused to raise interest rates, and the changes it has pushed through thus far have been limited in scope.

After the Turkish lira fell even further -- one dollar bought 3.8 liras at the start of the year, but at one point on Monday it was worth 7.2 liras -- investors dumped other emerging-market currencies. The Indian rupee dropped to a record low against the dollar, the Indonesian rupiah flirted with a three-year low, and the South African rand lost 2 percent after falling nearly 6 percent last week.

Stock markets across Asia, including in Hong Kong; Seoul, South Korea; Shanghai; and Tokyo, fell on Monday, with many exchanges dropping nearly 2 percent during the day. European markets fared only slightly better. The euro hovered around its lowest point against the dollar in a year.

The **Standard & Poor's 500**-**stockindex** lagged for much of the day, and closed down 0.4 percent. The **Dow Jonesindustrial average** fell 0.5 percent.

''Turkey's woes can ripple out to hammer European Union institutions,'' Carl Weinberg, chief international economist at High Frequency Economics in White Plains, N.Y., said in a note to clients on Monday.

Shares of European banks suffered some of the biggest losses, including BBVA of Spain and UniCredit of Italy, which have large holdings in Turkey, and lenders such as Commerzbank and Deutsche Bank, which do not have major operations there.

Investors were driven principally by fears of contagion, the notion that an economic or financial crisis in one country -- in this case, Turkey -- can quickly spread to other regions.

Problems in Turkey have been brewing for years, but Turkish assets have fallen steeply in recent days as questions have mounted over the country's prospects. Price increases have quickened, and President Recep Tayyip Erdogan had undertaken increasingly authoritarian moves, from the appointment of a relative as an important minister to the erosion of the central bank's independence.

Normally, a country in Turkey's situation would raise interest rates to stifle inflation and stop the currency's slide. But Mr. Erdogan's popularity has hinged on rapid growth fueled by credit, and he has often spoken against raising interest rates.

Still, Turkey has political and economic problems not found elsewhere, and analysts were not yet ready to predict widespread panic.

"In the very short term, we are seeing what we would describe as 'risk off' toward emerging markets," said Stuart Culverhouse, global head of macro and fixed income research at Exotix Capital, a research firm in London.

But "Turkey is following a path many other emerging markets aren't," he added. "I don't think it's going to lead to a more systemic problem across emerging markets."

On Monday, Turkey's central bank relaxed some of its rules on the money that commercial banks must keep on reserve, freeing up cash to deal with the currency crisis. The central bank also said that it would provide "all the liquidity the banks need."

But it made no mention of raising the benchmark interest rate, which is already at 17.75 percent. Though high compared with other countries, it is only slightly above the rate of inflation and would have to be much higher to squelch rising prices.

In a speech in the city of Trabzon on Sunday, Mr. Erdogan called on businesses to show solidarity in supporting the lira.

"Do not prefer to rush to banks and buy foreign currency," he said. "You would do the wrong thing if you resort to such options just to be on the safe side. You should know that it is both our and industrialists' and merchants' responsibility to keep this nation on its feet. Otherwise, we would have to implement Plan B or Plan C."

Yet in a sign of nervousness in Turkey, rumors spread on social media that the Plan B or C would involve restrictions on foreign exchange bank accounts. The treasury and finance minister, Berat Albayrak denied the rumors in a post on Twitter late Sunday, and the semiofficial Anadolu news agency later reported that Turkey's interior ministry had opened investigations into 346 social media accounts officials said had helped "manipulate perceptions" about the lira.

Compounding the fear in **financial markets**, there is a lack of information about which foreign banks may own Turkish government bonds or have lent money to Turkish companies. About 90 percent of Turkey's public and private sector debt with foreign lenders is in foreign currencies, according to the International Monetary Fund.

Those debts in dollars, euros or other foreign currencies will quickly become unsustainable for borrowers that do not have corresponding revenue in those currencies.

A worsening diplomatic dispute with the United States has also piled on the pressure for Turkey. Though tensions initially centered on the detention of an American pastor, they have since spread into the trade arena.

President Trump pledged on Friday to double the rate of tariffs on steel and aluminum imports from Turkey. The comment, which was made in a Twitter post, spooked markets concerned that Mr. Trump could take a similar approach with other trading partners.

"The catalyst for market **volatility** has been geopolitical uncertainties and trade," said Viraj Patel, a foreign-currency strategist at ING. "This is another knock for global markets and, taken together, it's a pretty toxic environment."

China's currency, the renminbi, which has been a casualty of Mr. Trump's trade policies for weeks, also weakened further against the dollar on Monday. The government in Beijing, which keeps a firm grip on the value of its currency, weakened the renminbi by 0.34 percent against the dollar, setting the benchmark rate for trading in Shanghai at its weakest level in 15 months.

China's main **stock index** lost nearly 2 percent at one point on Monday, but it closed down 0.3 percent. The reaction was stronger in other Asian markets: In Tokyo, the main index fell 2 percent. Stocks in Seoul fell 1.5 percent. A broad index of Europe's biggest companies was down 0.4 percent in afternoon trading.

A strengthening dollar is the biggest concern for officials in China and in other emerging markets. The upheaval in Turkey has fortified the dollar even further.

Despite the panic in markets, one economist at Deloitte said he believed that uncertainty about Turkey did not signal a global contagion, yet. Turkey's economy is only the 17th-largest in the world, and it is not as integrated into the global financial system as countries like China and the United States.

"I'm a little concerned, but I wouldn't be pressing the panic button," the economist, Xu Sitao, said.

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

A currency exchange office in Istanbul, Turkey, on Monday. The Turkish central bank's actions have been limited in scope. (PHOTOGRAPH BY OSMAN ORSAL/REUTERS)

Document NYTF000020180814ee8e00053

The New York Times

Business/Financial Desk; SECTB
Cooling Copper Could Signal Slowdown

By MATT PHILLIPS
856 words
17 August 2018
The New York Times
NYTF
Late Edition - Final
1
English

Among the world's investment nerds, copper has a special title: They call it ''Dr. Copper'' because of its reputed ability to predict the direction of the global economy as well as any Ph.D.-holding economist might.

Its reputation reflects the metal's broad use in important, cyclical industries ranging from construction to automobiles. If demand for copper starts to fall off, pushing prices lower, the argument goes, then it's a good clue that industrial economies are slowing down.

Right now, while American stock investors don't seem too bothered by the impact of a trade war, the metal is raising a red flag. The price of copper has fallen 19 percent just since early June, and it's now at its lowest in about a year. That's a steeper drop than for other commodities like crude oil, which has also been falling in recent weeks.

Concern about China, the single largest consumer of the metal, is the primary source of this weakness. The country's economic outlook has darkened since the trade war with the United States began, right around when copper prices were at their peak.

''The sell-off started with the tariffs,'' said Natasha Kaneva, an analyst who follows copper at JPMorgan Chase in New York. ''Absolutely you can say that that was the catalyst.''

The trade war is hitting China as it also faces a difficult transition away from the growth model that fueled the country's rise -- a mix of debt, state-directed investment and export-focused factory activity -- toward domestic consumption. Recent economic data suggests that it is not a smooth process.

In the second quarter, nonperforming loans at Chinese banks notched their biggest rise in over a decade, according to research from Capital Economics. Corporate bond defaults are on the rise, and earlier this week, official reports showed Chinese investment growth, which has long been a driver of the economy, fell to its lowest level since the late 1990s.

''There is a combination of things going on,'' said Simona Gambarini, a commodities economist at Capital Economics. ''A strong dollar, China slowing, concern about a trade war between China and the U.S., which doesn't bode well for China in particular but for the global economy as well.''

The pressure on the Chinese economy is beginning to take its toll in other places, too. China's currency, the renminbi, has fallen more than 9 percent against the dollar in the last six months and China's CSI 300 index of blue chip stocks is off 19 percent this year.

Such concerning signals emanating from a country that accounts for roughly 15 percent of the world economy might give some investors pause. But for now, investors in the United States seem to see China as someone else's problem.

The **Standard & Poor's 500**-**stockindex** is up more than six percent this year and continues to hover just below its record high, thanks to the health of the American economy. That growth -- plus the windfall of deep tax cuts -- has translated into gushers of corporate profits. Second-quarter earnings reports from companies in the **S**.**&P**. **500** are up roughly 25 percent from last year.

But if the slump in copper prices is a harbinger of a significant slowdown in global economic growth, American investors could eventually feel the pain.

Large American companies rely on sales outside of the United States for substantial portions of their revenue. Last year, 44 percent of the revenues of companies in the **S**.**&P**. **500** came from foreign countries, with Asia being the single largest regional source of sales, according to data from S.&P. Dow Jones Indices.

Investors seem broadly split over whether American markets can continue to separate themselves from worries about global growth.

In early August, Bank of America Merrill Lynch surveyed 185 money managers with over $500 billion in assets. One question asked whether the American economy could continue outperform the rest of the world.

Respondents were split, with 34 percent saying they thought the United States could continue to do better and 32 percent saying they expected growth in the United States to start to slow down.

The majority of the fund managers, however, agreed about what could be the biggest risk to the market. About 57 percent answered that the top risk was ''trade war.''

The price of copper has fallen 19 percent since early June, a sell-off triggered by trade war concerns as China's growth prospects diminish. (PHOTOGRAPH BY SERGEY PONOMAREV FOR THE NEW YORK TIMES) (B1); A family shopping at one of Ikea's Beijing showrooms. The trade war is hitting China as it tries to transition away from the growth model that fueled the country's rise and toward domestic consumption. (PHOTOGRAPH BY BRYAN DENTON FOR THE NEW YORK TIMES); An electronic board displaying stock prices at a brokerage house in Beijing on Thursday. China's CSI 300 index of blue chip stocks has fallen nearly 20 percent this year. (PHOTOGRAPH BY ANDY WONG/ASSOCIATED PRESS) (B2)

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THE WALL STREET JOURNAL.

Business

Profits Surge at Big U.S. Firms; Strong economy and tax cuts fuel gains and embolden companies to raise prices

By Thomas Gryta
976 words
5 August 2018
01:26 PM
The Wall Street Journal Online
WSJO
English

America's biggest companies are reporting some of the strongest earnings growth since the recession, boosted by lowered tax rates and a robust U.S. economy that is fueling demand across industries.

Profits at **S&P 500** companies jumped an estimated 23.5% in the three months through June, according to data from Thomson Reuters, more than 21/2 times revenue growth in the same period.

The profit gains, which stretched across all S&P sectors, from energy to health care, have helped sustain a **stock-market** rally that sent major indexes to near records and made Apple Inc. the first U.S. company worth $1 trillion.

"We are encouraged by the strength of the U.S. economy, including low unemployment and healthy housing demand," Whirlpool Corp. Chief Financial Officer James Peters said on an earnings call in late July.

Healthy consumer and business spending, coupled with rising commodity costs and concerns about potential tariffs, have spurred companies ranging from Kraft Heinz Co. to Winnebago Industries Inc. to try to push through price increases, which will help determine how the rest of the year shakes out.

"Companies are coming out unapologetically with pricing increases," said Jim Russell, portfolio manager at Bahl & Gaynor. "That is one of the more optimistic things we see for keeping [profit] margins high in 2018 and into 2019."

United Technologies Corp., a manufacturing conglomerate that makes Pratt & Whitney jet engines and Otis elevators, said it would boost prices to offset rising costs. Kraft said it raised prices in the second quarter to counter higher costs internationally and trucking expenses in the U.S.

Savings from a cut in the U.S. corporate tax rate to 21% from 35% are driving a big piece of the profit gains, the direct impact of which will fade after four quarters under the new law. Any lasting tax-related benefits will depend on how companies use the savings.

But the underlying businesses are also performing well. Bank of America Merrill Lynch analysts calculated that overall earnings are 3% above Wall Street's expectations, while pretax earnings remain 2% ahead of expectations. The bank expects earnings per share in the **S&P 500** companies to rise more than 20% this year, with nearly half of the gains coming from effects of the tax-law changes.

"There is no question that the first and second quarters are seeing benefits from the tax package," Bahl & Gaynor's Mr. Russell said. Many companies are using the windfalls to pay down debt, he said, but he believes the underlying earnings growth will continue as companies benefit from years of trimmed workforces, cost cuts, reorganizations and share buybacks. Mr. Russell said he expects profits to stay strong even if revenue slows.

The U.S. economy grew at its fastest annual rate in nearly four years this spring, with gross domestic product rising 4.1% in the second quarter on a seasonally and inflation-adjusted basis. That was up from a revised rate of 2.2% in the first quarter.

Still, investors remain wary of rising interest rates, trade tension and increasing costs for labor and supplies.

About 80% of the companies in the **S&P 500 index** have reported second-quarter results so far. The energy industry led the way as producers and refiners ride a rebound in the price of crude oil. Energy profits more than doubled in the quarter from a year ago. The financial and technology sectors also reported strong gains, with profits rising about 25% apiece.

Revenue for all **S&P 500** companies rose 9.2% from a year ago, according to data from Thomson Reuters, which reflects actual results reported by 406 businesses plus estimates for the remaining members of the index.

United Rentals Inc. said about half of its 62% jump in per-share earnings came from lower taxes. But the equipment-hire company also saw strong growth driven by a high number of rentals. "That still leaves a very robust increase over last year," Chief Financial Officer William Plummer said in a July conference call.

Yet many companies are seeing higher costs for raw materials and labor, something that can crunch profit margins if they can't raise prices.

Clothing maker Hanesbrand Inc. said it was boosting prices to offset increasing costs. "This is general inflation that comes with a strong economy and a pressure on input cost, and you see it coming across oil. You see it coming across packaging materials, and you see it coming across cotton," Hanes Chief Executive Gerald Evans said on the company's earnings call last week. "This is natural inflation, and so it will touch all products."

Raising prices is tricky because it can hurt demand, but the strong economy paired with growing revenue have emboldened companies to push through increases to customers.

However, some are more cautious. Procter & Gamble Co. will lift prices "when the degree of cost impact warrants it and competitive realities allow it," finance chief Jon Moeller said on a conference call. The company said it plans to raise prices on Pampers diapers and Charmin toilet paper by about 5% later this year.

"We'll have to adjust as we go and as we learn," Mr. Moeller said.

Some industrial companies, too, are expecting continued strong demand. Honeywell International Inc., which makes everything from jet engines to rubber boots, raised its growth forecasts, predicting 5% to 6% revenue gains for the year. "Our order rates are strong, our backlogs are growing," CEO Darius Adamczyk told investors last month.

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The New York Times

Business Day; DealBook

The Stock Market's Next $1 Trillion Milestone: Buybacks

By Jamie Condliffe
416 words
6 August 2018
04:40 PM
NYTimes.com Feed
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English

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American companies are set to hand a record amount back to shareholders in the coming quarters.

Corporate boards have authorized the repurchase of $754 billion of stock so far this year, up 80 percent from the same period last year, according to a Goldman Sachs report. And that figure could reach a record $1 trillion by the end of the year.

The surge in buyback announcements is likely to stoke further debate about the $1.5 trillion tax cuts enacted late last year. The overhaul reduced the corporate tax rate to 21 percent from a high of 35 percent and provided a permanent break on overseas profits. The White House and congressional Republicans said the tax bill would encourage companies to make long-term investments and would provide “rocket fuel” for the American economy. Democrats argued the legislation would lead to an increase in share buybacks and wouldn’t stimulate corporate investments.

So far the pace of hiring has picked up this year, though wage growth has remained stubbornly slow, and business investment in equipment increased more slowly in the first half of the year.

Companies in the **Standard & Poor**'**s500 stockindex**purchased a record $178 billion of their own shares in the first quarter of 2018. Apple, a big beneficiary of the new tax law, has ramped up its repurchases this year. Through the first two quarters of this year, the iPhone maker bought $43.5 billion of its own stock, the most on record for a six-month period, according to Howard Silverblatt, a senior index analyst with S.& P. Dow Jones Indices.

At a time when other stock investors — households, mutual funds and pension funds — are selling shares, buybacks could be a source of demand in the coming months, Goldman said. That could be particularly the case for the shares of technology companies. The sector has accounted for 40 percent of the buybacks authorizations this year, but only 21 percent of the actual stock purchases.

Still, Goldman does not expect buybacks to lift the **S**. **& P**. **500** much this year. The firm predicted the index will finish 2018 where it is currently trading: 2,850.

Corporate stock buybacks could be fueling more debate on the tax cuts passed last year. | Tom Brenner/The New York Times

Document NYTFEED020180806ee8600669

The New York Times

Business Day; DealBook
Apple's Stock Buybacks Continue to Break Records

By Stephen Grocer
566 words
1 August 2018
12:25 PM
NYTimes.com Feed
NYTFEED
English

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Apple is handing cash back to its shareholders at an unprecedented rate.

The iPhone maker repurchased $43.5 billion of its own stock during the first six months of this year. Not only is that up from more than $14 billion during the same period last year, but the company's repurchases in the past two quarters also rank as the biggest in history, according to Howard Silverblatt, a senior index analyst with S.& P. Dow Jones Indices.

Among companies in the **Standard & Poor**'**s 500**-**stockindex**, each of the five largest quarterly stock buybacks on record was by Apple.

Apple's increased spending on its own shares follows the $1.5 trillion tax cut signed into law late last year. The overhaul lowered the corporate tax rate to 21 percent from a high of 35 percent and provided a permanent break on overseas profits. The aim was to encourage companies to make long-term investments in things like new workers and factories to stimulate the American economy.

The legislation has caused corporate America, to ramp up stock repurchases. In the first quarter of 2018, companies in the **S**. **& P**. **500** purchased a record-breaking $178 billion of their own shares.

Apple was among the biggest beneficiaries of the new tax law. In January, the company said it would bring back most of the $252 billion in cash that it held abroad. At the beginning of May, the company said it would use a large chunk of that cash to buy back an additional $100 billion in stock.

That added to its already record level of returning capital to investors. No company has bought back more shares since 2012 than Apple. It has repurchased almost $220 billion of its own stock since it announced in March 2012 that it would start to buy back shares. That is roughly equivalent to the market value of Verizon Communications. Over that period, the number of Apple's shares outstanding has dropped by just over a quarter.

Like most stock repurchase efforts, Apple's buyback program has helped bolster its share price in recent years. Apple shares are up 18 percent this year and nearly 150 percent since March 2012. By reducing the number of shares on the market, buybacks also lift a company's earnings per share — a key metric for investors. For instance, Apple's earning per share grew 40 percent last quarter compared to the same period last year, while its net income rose just 32 percent.

Apple's buyback binge also affects the calculation of its **stock market** value, which is approaching $1 trillion. Based on its share count from its fiscal second-quarter filing, the company would have a market value of $984 billion Wednesday. But Apple reduced its share count by 5.5 percent during its fiscal third quarter ending June 30. That means Apple's market capitalization stands at roughly $970 billion and its shares now need to hit $206.49 for the company to be valued at $1 trillion.

One of Apple's buildings in London. The company continues to use profits repatriated from overseas to buy back record amounts of stock. | Andy Rain/EPA, via Shutterstock

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

Blue Chips Rise as Fears Over Turkish Lira Crisis Ease; Dow industrials move higher a day after their biggest jump in four months

By Michael Wursthorn and Riva Gold
793 words
17 August 2018
05:01 PM
The Wall Street Journal Online
WSJO
English

* Dow, **S&P 500** slightly higher

* Lira lurches lower

* European shares fall

The **Dow Jones Industrial Average** rose Friday to finish a second consecutive week higher, as fears of contagion from Turkey's currency crisis continued to ebb.

The index of the 30 U.S. **stock-market** stalwarts added to its massive gains from Thursday, when the Dow logged its biggest point move in four months, easing investor concerns that the U.S. market was on the cusp of a more significant pullback. An additional week of solid corporate profit reports from companies like Walmart helped.

Turkey's mounting woes have pressured the market this week and contributed to a punishing run of trading sessions for investors who worried that the threat of additional sanctions could deepen the country's economic funk and spill over into other markets.

But even though Turkey's lira took another step lower Friday after the Trump administration threatened to impose additional penalties over the country's imprisonment of a U.S. pastor, investors marked down the risk of seeing a significant, damaging ripple into the U.S. **stock market**.

"Turkey's issues are unique and we really don't see a single factor that creates a contagion risk," said Janet Johnston, a portfolio manager with Trimtabs Asset Management, who added that global and U.S. exposure to Turkey is fairly small compared with other emerging-market countries.

The Dow industrials climbed 110.59 points, or 0.4%, to 25669.32, while the **S&P 500** added 9.44 points, or 0.3%, to 2850.13. The **Nasdaq Composite** rose 9.81 points, or 0.1%, to 7816.33.

The additional gains helped the Dow and **S&P 500** notch a second consecutive week of gains, of 1.4% and 0.6%, respectively. The **Nasdaq**, however, is down 0.3% over the past five trading days, as tech stocks came under pressure earlier in the week.

While all 11 major **S&P 500** sectors rose Friday, consumer-staple stocks were among the best performers. Up 3.2% this week, the sector of food makers and household-product manufacturers has been enjoying a renaissance lately, as investors have sought their relative safety to hedge against market **volatility**. Consumer staples tend to pay generous dividends and fare better during periods of economic duress since consumers tend to always need those goods and products.

Coca-Cola rose 38 cents, or 0.8%, to $46.60, while Walgreens Boots Alliance added 81 cents, or 1.2%, to 69.99. Both are Dow components—with Walgreens recently replacing General Electric in the index—as well as consumer-staple stocks.

While investors have marked down Turkey's risk to the U.S., Europe and emerging-market countries remain exposed, analysts said.

European banks have a greater exposure to Turkish debt compared with U.S. lenders, Rebecca Patterson, chief investment officer at Bessemer Trust, wrote in a recent report. And Turkey's overall weakness could raise fresh questions about the strength of emerging-market countries' economies, Ms. Patterson added.

Several big money managers in recent days have reiterated their "underweight" stances toward emerging-market stocks, which were already trailing developed markets this year.

In Europe, the Stoxx Europe 600 fell 0.1% Friday to extend its decline for the week to 1.2%, its biggest weekly drop since June.

Stocks in Asia, meanwhile, were mixed.

Hong Kong's Hang Seng edged up 0.4% Friday, snapping a five-day losing streak as index heavyweight Tencent Holdings rebounded from a large setback that followed downbeat earnings results.

The Shanghai Composite fell 1.3%, ending the week down 4.5% to touch its lowest closing value since January 2016.

Even with the focus on Turkey, investors continue to follow trade talks between the U.S. and China since officials from both countries reached a deal to hold lower-level talks later this month. Any significant developments that appear to deepen the cross-continental spat could dash earnings later this year and weigh on the **stock market**, investors said.

"With trade, we have to be a little more circumspect because we have the potential for a tit-for-tat race to the bottom that could have significant ramifications for earnings," said David Vickers, senior portfolio Manager at Russell Investments.

Write to Michael Wursthorn at Michael.Wursthorn@wsj.com and Riva Gold at riva.gold@wsj.com

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U.S. Markets
Markets

U.S. Stocks Rise on Strong Earnings, Shaking Off Trade Gloom; S&P 500 had its second-highest close in history and was just 0.5% away from its January record

By Francesca Fontana and Ben St. Clair
610 words
7 August 2018
04:53 PM
The Wall Street Journal Online
WSJO
English

U.S. stocks climbed Tuesday, with strong corporate earnings reports lifting major indexes as tariff tensions simmer.

The **Dow Jones Industrial Average** added 126.73 points, or 0.5%, to 25628.91. The **S&P 500** gained 8.05 points, or 0.3%, to 2858.45, its second-highest close in history and just 0.5% away from its January record. The technology-heavy **Nasdaq Composite** rose 23.99 points, or 0.3%, to 7883.66.

Trade concerns continued to loom over U.S. markets, but strong earnings reports and positive economic data have bolstered stocks.

"Management teams so far this earnings season sound very confident," said Robert Hinchliffe, a portfolio manager at PineBridge Investments.

With 85% of companies in the **S&P 500** having reported results so far, earnings are on track to increase 24% from a year earlier, while sales are poised to rise 9.8%, according to FactSet.

Mosaic was among the **S&P 500**'s top gainers Tuesday, with shares rising $1.60, or 5.3%, to $31.70 after the fertilizer maker said higher prices helped boost its sales in the latest quarter. Online retailer Etsy increased its revenue guidance for the year and posted stronger-than-expected quarterly sales growth, pushing shares up 1.41, or 3.3%, to 43.84.

"Investors are waking up to the strength of the U.S. economy and just how well economic fundamentals are doing," said Mike Loewengart, vice president of investment strategy at E*Trade.

Elsewhere, Tesla shares jumped 37.58, or 11%, to 379.57 after the electric car maker's chief executive, Elon Musk, tweeted that he is considering taking the company private. The shares are just 1.4% below their all-time closing high of $385 in September 2017.

Energy stocks were the biggest gainers in the **S&P 500** as U.S. crude rose 0.2%. Oil's gains come in the aftermath of the Trump administration's move to reimpose punishing economic sanctions on Iran, measures that are expected to ultimately paralyze the nation's crude exports. Crude has also been boosted by an unexpected decline in Saudi Arabian oil output, according to analysts.

"[Investors] are putting more money into more economy-sensitive and inflation-sensitive areas, and that points to underlying optimism on the day," said Lori Calvasina, head of U.S. equity strategy at RBC Capital Markets.

Shares of consumer-staples, utilities and real-estate companies in the **S&P 500**, typically considered defensive stocks because of their hefty dividend payments, were among the biggest decliners.

Meanwhile, the yield on the benchmark 10-year U.S. Treasury note rose to 2.973% from 2.962% Tuesday. Yields move inversely to **bond prices**. The WSJ Dollar Index, which gauges the currency against a group of 16 others, slipped 0.2% after rising Monday.

European stocks followed Asian markets higher, with the Stoxx Europe 600 rising 0.5%.

In Asia, the Shanghai Composite Index gained 2.7%, more than offsetting Monday's losses. Hong Kong's Hang Seng was up for a second consecutive day, increasing 1.5%, and Japan's Nikkei rose 0.7%.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

U.S. Stocks Drift Lower as Trade Talks Begin; Federal Reserve minutes showed growing concern over prolonged trade disputes

By Michael Wursthorn
644 words
23 August 2018
06:14 PM
The Wall Street Journal Online
WSJO
English

The **S&P 500** drifted lower as a new round of tariffs rattled trade-sensitive stocks.

Shares of manufacturers and materials companies led the broad index lower after the U.S. and China early Thursday enacted tariffs on $16 billion in each others' goods, including Chinese-made chemicals, machinery, tractor parts and U.S.-produced fishmeal, industrial lubricants, engines and trucks.

The additional duties came as officials from both governments engaged in a second day of trade talks in Washington and signaled to investors that tensions between the U.S. and China are likely to stir further market **volatility** in the months ahead.

So far, another quarter of strong economic growth and robust corporate profits has helped the **stock market** steer past the trade spat. The **S&P 500** has risen more than 5% since the end of June and is on pace for its best three-month stretch of the year. But with more than 95% of the broad index's companies having reported earnings, the tit-for-tat trade sparring—like on Thursday—could have a bigger impact on stock prices.

"A solid U.S. economy is keeping us up," said Brent Schutte, chief investment strategist at Northwestern Mutual Wealth Management Co. "But it's at a lesser pace with concerns like trade and China weighing on investors."

The **S&P 500** fell 4.84 points, or 0.2%, to 2856.98, while the **Dow Jones Industrial Average** shed 76.62 points, or 0.3%, to 25656.98. The **Nasdaq Composite** sank 10.64 points, or 0.1%, to 7878.46, snapping a five-session winning streak.

Tariffs haven't severely dented corporate profits so far, according to analysts. But some companies, such as Stanley Black & Decker, have reported higher material costs that could eat further into profit margins as long as the tariffs stay in effect.

Trade tensions have now risen to the top of the Federal Reserve's list of concerns, according to the minutes of the central bank's July 31-Aug. 1 meeting, which were released Wednesday. Officials worry that a prolonged dispute would harm business investment, sentiment and hiring as well as cut into the purchasing power of U.S. households.

While the Fed signaled it was still likely to raise interest rates next month, investors will look to the central bank's annual Jackson Hole, Wyo., symposium, which started Thursday, for further guidance on how tariffs could affect its path. Fed Chairman Jerome Powell's speech Friday is expected to be the main event at the annual gathering.

"We're still positive about the economy," said Tom Stringfellow, chief investment officer at Frost Investment Advisors. "But there's a price to be paid for trade tariffs."

On Thursday, shares of materials companies in the **S&P 500** fell 0.7%, the most of any other sector. Mining company Freeport-McMoRan declined 35 cents, or 2.4%, to $14.18, while steel manufacturer Nucor shed 1.77, or 2.8%, to 62.02.

Machinery makers also stumbled, with shares of Caterpillar, a Dow component, sliding 2.84, or 2%, to 136.79. Stanley Black & Decker, which said last month on an earnings call that the tariffs will increase costs by about $35 million, fell 2.44, or 1.7%, to 139.60.

Elsewhere, the Stoxx Europe 600 fell 0.2%. Japan's Nikkei Stock Average finished up 0.2%, while Hong Kong's Hang Seng was down 0.5%.

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

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THE WALL STREET JOURNAL.

U.S. Markets
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Dow Jones Industrial Average Falls on Tariff Concerns; S&P 500 technology sector gains on the heels of a strong earnings report from Apple

By Danielle Chemtob and Ben St. Clair
481 words
1 August 2018
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The Wall Street Journal Online
WSJO
English

The **S&P 500** and **Dow Jones Industrial Average** edged lower Wednesday as losses in energy and industrial shares offset a rebound in technology stocks.

Shares of industrial companies lost ground after reports said administration advisers were urging President Trump to sharply increase tariffs against China , renewing fears among investors that global trade frictions could hit the markets.

Heavy-equipment maker Caterpillar lost $5.26, or 3.7%, to $138.54, while Boeing fell 3.54, or 1%, to 352.76.

"The longer this goes on, the more the market is going to have to start pricing in the reality that earnings could be hit," said Tim Courtney, chief investment officer of Exencial Wealth Advisors.

The Dow industrials lost 81.37 points, or 0.3%, to 25333.82, erasing gains after rising as much as 75 points earlier in the session. The **S&P 500** fell 2.93 points, or 0.1%, to 2813.36, notching its fourth loss in five trading days, and the **Nasdaq Composite** added 35.50 points, or 0.5%, to 7707.29.

Despite renewed trade worries, strong U.S. economic data and corporate earnings have helped many U.S. investors remain cautiously optimistic.

The **S&P 500** technology sector gained 1% Wednesday on the heels of a strong earnings report from Apple. The iPhone maker's shares rose 11.21, or 5.9%, to a fresh high of 201.50 after the company reported resilient demand for high-price iPhones and record revenue from its services business.

"Investors overall are at a place where they know tech long-term continues to be a great place to be," said Rich Guerrini, president and chief executive of PNC Investments. "I think they are certainly taking some of these dips as opportunities, which is why we're not seeing movement in any one given direction."

Still, other tech companies have posted disappointing earnings, and concerns over future user growth have weighed down the sector, sending Facebook and Twitter shares tumbling recently.

While many investors are still attracted to the growth potential of technology companies, others are beginning to rotate into other areas of the **stock market**, said Bryan Keller, managing partner at Dakota Wealth Management.

Meanwhile, declines in the energy sector also weighed on stocks, with shares of energy firms in the **S&P 500** falling 1.3% after data showed an unexpected rise in U.S. crude stockpiles.

Elsewhere, the Stoxx Europe 600 edged down 0.5%. The Shanghai Composite dropped 1.8% while Hong Kong's Hang Seng fell 0.8%.

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THE WALL STREET JOURNAL.

Markets

Markets Rejoice After News of U.S.-Mexico Trade Deal; Agreement to rewrite Nafta lifts U.S. stocks, global currencies and commodities; auto makers surge

By Ira Iosebashvili and Amrith Ramkumar
937 words
27 August 2018
06:39 PM
The Wall Street Journal Online
WSJO
English

U.S. stocks, global currencies and commodities surged Monday as investors embraced a deal between the U.S. and Mexico to rewrite portions of the North American Free Trade Agreement.

Monday's deal marks a sizable shift on Wall Street, where investors have spent much of the past two years grappling with concerns that the administration's escalating trade rhetoric and mounting tensions with much of Asia and Europe could hurt global growth.

While the gains could show that U.S. stock indexes have more room to climb, even with the **S&P 500** now in its longest-ever **bull-market** run, many analysts and traders said they remained cautious about overreacting to what also might be the latest in an extended back-and-forth between the U.S. and its trade partners.

Stocks extended early gains on the news, pushing the **S&P 500** up 0.8% to a record, powering the **Nasdaq Composite** to its first close above 8000 and sending the **Dow Jones Industrial Average** to its first close past 26000 since Feb. 1.

The Mexican peso and Canadian dollar rose, while the U.S. dollar declined.

Trade tensions have weighed on markets since the White House imposed global tariffs on steel and aluminum earlier this year and signaled it would ramp up pressure on China, fueling concerns of a slowdown that could diminish an expected boost in U.S. growth from fiscal stimulus such as tax cuts.

"It is definitely a Cinderella moment," said Christopher Stanton, chief investment officer at Sunrise Capital Partners LLC. The potential deal supports some investors' argument that "Trump wants trade deals, rather than trade wars."

Monday's news fueled bets that other trade compromises would follow, with some analysts suggesting a monthslong spat between the U.S. and China might not be as intractable as it seems.

Although gains were broad Monday, with nine of the **S&P 500**'s 11 sectors rising, trade-sensitive assets were among the market's best performers. The materials and industrials sectors both rose more than 1%, and auto makers surged, after tumbling on tariff fears.

General Motors Co. climbed $1.74, or 4.8%, to $37.69, notching its best day in almost three months, while Ford Motor Co. rose 31 cents, or 3.2%, to $9.99. The auto sector is one of the most contentious areas for trade negotiators, and analysts had worried vehicle makers were particularly vulnerable to fallout from tariffs and production rules.

President Trump, hinting at affixing tariffs on auto imports from Canada, among other measures, said negotiations with that country would resume soon.

Investors have worried that protectionism would slow the global economy and weaken demand for everything from tractors to computer chips. That anxiety has led money managers to favor the U.S., where growth has surged and corporate profits have climbed, and push the dollar to a 15-month high earlier this month.

The worries have also hit prices for commodities that are used in manufacturing and construction, including copper, iron ore and palladium, which is used to make exhaust filters for automobiles.

But bets on a rebound in global growth continued Monday: The Mexican peso rose 0.8% and the Canadian dollar gained 0.5% against its U.S. counterpart. Fresh optimism over global trade also boosted the currencies of other exported-dependent countries, including South Korea and Chile.

The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, fell for the ninth time in the past 10 sessions, dropping 0.2% to 89.10. Commodities from silver to platinum extended their recent rebound, with most-actively traded platinum futures climbing 1.9%.

Perhaps the largest reaction to Monday's news came in the lean-hog market, where futures prices climbed 5.8% as traders anticipated that Mexico, the largest buyer of U.S. pork, would lift tariffs on the meat.

Global stocks, commodities and currencies rising together for one of the few times in recent months was a signal that investors are increasingly confident that trade policies won't derail economic growth, analysts said.

"It's a definite overhang that gets removed and gives people hope," said Thomas Martin, senior portfolio manager at Globalt. "We need more details, but trade policies are moving in the right direction."

Still, analysts cautioned that hurdles remain to the U.S. resolving its fight with China. Although the world's two largest economies have mapped out talks to end their standoff ahead of planned November meetings between President Trump and Chinese leader Xi Jinping, negotiations last week failed to produce visible signs of progress.

Adding to investor worries: Chinese economic growth has shown signs of weakness. The government said this month that spending on so-called fixed assets such as factory machinery and public works projects cooled to the lowest point in nearly two decades during the first seven months of the year.

But some investors said Monday's news was a sign that the Trump administration was willing to compromise on trade policy, potentially paving the way for further agreements.

"This is quicker progress than what we expected" on trade, said Scott Wren, senior global equity strategist for Wells Fargo Investment Institute. "I'm sensing enthusiasm out there."

Gunjan Banerji and Benjamin Parkin contributed to this article.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

U.S. Stocks Boosted by Robust Earnings; Earnings growth has pushed S&P 500 to its highest level since January despite escalating tariff threats from the U.S. and China

By Amrith Ramkumar and Ben St. Clair
700 words
6 August 2018
05:01 PM
The Wall Street Journal Online
WSJO
English

* **S&P 500** at highest level since January

* Berkshire, Tyson Foods rise after earnings

* Dollar climbs to fresh 2018 highs

The **S&P 500** rose for a third consecutive session Monday, lifted by the latest flurry of corporate earnings.

Robust second-quarter earnings growth has pushed the **S&P 500** to its highest level since January despite escalating tariff threats from the U.S. and China. After China said Friday that it planned to impose tariffs on a majority of its U.S. imports, President Trump tweeted over the weekend that "tariffs are working big time." Mr. Trump has threatened to apply tariffs to all $505 billion of Chinese imports to the U.S.

Secretary of State Mike Pompeo faced criticism over the weekend from China and skepticism from Southeast Asian powers over U.S. trade policies.

Some analysts fear a trade war between the world's two largest economies could slow the global economy. Those worries have roiled assets ranging from Chinese stocks to commodities, which some investors say would be more directly affected by a Chinese economic slowdown.

But so far, large U.S. companies have largely shaken off the impact of tariffs, reporting quarterly profit growth of more than 20% for the most recent period.

"The market continues to grind higher," said Rob Bernstone, a managing director in equity trading at Credit Suisse Group. "It seems extraordinary resilient right now."

The **S&P 500** rose 10.05 points, or 0.4%, to 2850.40 Monday, bringing it 0.8% below its January record. The **Dow Jones Industrial Average** added 39.60 points, or 0.2%, to 25502.18. The **Nasdaq Composite** rose 47.66 points, or 0.6%, to 7859.68.

Over the weekend, Warren Buffett's Berkshire Hathaway said second-quarter net earnings surged, boosted by insurance underwriting and a change to accounting rules. Its shares rose $5.82, or 2.9%, to $206.06.

Tyson Foods was also among the **S&P 500**'s biggest gainers, climbing 1.89, or 3.3%, to 59.64 after reporting higher quarterly profit, despite challenges related to oversupply and pricing due to tariffs.

Facebook shares climbed 7.91, or 4.4%, to 185.69 after The Wall Street Journal reported that the social-media firm has asked large U.S. banks to share detailed financial information about their customers, including card transactions and checking-account balances, as part of an effort to offer new services to users.

Among decliners, consumer-products maker Newell Brandslowered its earnings guidance for the year after reporting falling quarterly sales. Its shares fell 3.81, or 14%, to 22.76.

More than 80% of **S&P 500** firms have already reported earnings, so traders are looking for fresh factors that swing stocks, analysts said.

With trade concerns and U.S. earnings pulling investors in opposite directions, "it's an unusual environment for markets," said François Bourdon, chief investment officer of Fiera Capital.

Investors are looking ahead to inflation data later this week, after some said Friday's jobs report showed few signs of a pickup that would accelerate the Federal Reserve's pace of interest-rate increases. On Monday, the yield on the benchmark 10-year U.S. Treasury note fell to 2.936% from 2.952% Friday. Yields fall as prices rise.

Investors seeking safety amid trade tensions have also favored the dollar. The WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, rose 0.3% Monday and is around its highest level in more than a year.

Elsewhere, the Stoxx Europe 600 dropped 0.1%. Germany's economics ministry blamed trade uncertainty for helping drive manufacturing orders down 4% in June.

In Asia, the Shanghai Composite Index fell 1.3% to its lowest level since February 2016, and Japan's Nikkei Stock Average edged down 0.1%. Hong Kong's Hang Seng closed up 0.5%.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets
U.S. Stocks Fall on Tariff Plans; Report suggesting President Trump wants to move ahead soon with tariffs on $200 billion in Chinese imports pulled down the stock market

By Riva Gold and Akane Otani
673 words
30 August 2018
04:47 PM
The Wall Street Journal Online
WSJO
English

U.S. stocks fell Thursday, giving up ground a day after technology stocks helped drive the **S&P 500**, **Nasdaq Composite** and Russell 2000 to records.

Major indexes spent most of the day edging lower, then extended losses after a Bloomberg report suggested President Trump was backing plans to move ahead with tariffs on $200 billion in Chinese imports as early as next week.

The report took some shine off stocks, which had gotten a boost earlier in the week after Mr. Trump said the White House had reached a trade deal with Mexico. Uncertainty around global trade policies has pressured stocks throughout the year, keeping many investors cautious even as the U.S. economy has looked strong.

The **Dow Jones Industrial Average** fell 137.65 points, or 0.5%, to 25986.92 on Thursday, snapping a four-session streak of gains. The **S&P 500** lost 12.91 points, or 0.4%, to 2901.13 and the **Nasdaq Composite** declined 21.32 points, or 0.3%, to 8088.36.

Falling commodities prices dragged shares of materials companies lower, weighing on the **S&P 500**. Mining firm Freeport-McMoRan shed 52 cents, or 3.5%, to $14.15, following copper prices lower, while steel manufacturer Nucor lost 1.30, or 2%, to 62.79.

Exporters that investors have bet are vulnerable to fallout from tighter trade policies also lost ground, with Caterpillar falling 2.80, or 2%, to 139.06 and Boeing off 3.29, or 0.9%, at 346.90.

Declines in consumer-discretionary shares also pulled the **S&P 500** lower, with discount retailer Dollar Tree sliding 14.68, or 16%, to 79.78 after its full-year guidance came in short of investors' expectations.

Even with Thursday's pullback, U.S. stocks remain near records, supported by broadly strong corporate profits and economic data.

Yet some investors said they have viewed the recent rally in U.S. stocks with a degree of skepticism, noting that they came on low trading volumes and were mostly concentrated in the technology sector of the **S&P 500**, which is up nearly 7% for the month.

"It's difficult to equate the record highs and booming performance we've seen in the U.S. with a lot of the data we've seen that has been a bit lackluster," said Roger Jones, head of equities at London & Capital.

"We've seen early indicators of future market stress starting to at least flash amber," he said, pointing to disappointing housing data, a slowdown in global automotive sales and a selloff in emerging markets that could ultimately hurt U.S. multinationals.

Emerging-market currencies remained under pressure Thursday, with the Turkish lira losing 2.8% against the dollar. Turkey's central bank on Wednesday took steps to undo some of the emergency support it provided to its banks in recent weeks while ratings firm Moody's downgraded 18 Turkish banks on fears they will face growing difficulties in refinancing foreign-currency loans.

Some of the pressure on emerging-market currencies has stemmed from the dollar, which has strengthened as the Federal Reserve has continued raising interest rates and the U.S. economy has extended its expansion.

The dollar extended gains Thursday after data showed a key measure of inflation accelerated last month at the fastest annual pace since 2012.

Elsewhere, the Stoxx Europe 600 fell 0.3%, pulled lower by shares of banks and real-estate companies.

China led declines in Asian stock markets, with the Shanghai Composite down 1.1% and the Hang Seng down 0.9%.

South Korea's Kospi edged down 0.1%, ending a nine-session streak of gains, while Japan's Nikkei inched up 0.1%.

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THE WALL STREET JOURNAL.

Markets
What Can Stop This Bull Market? Old age isn't enough to kill a bull market, until it is

By Charley Grant
181 words
21 August 2018
03:55 PM
The Wall Street Journal Online
WSJO
English

The **bull market** in stocks is alive and well. However, that coincides with a raging **bear market** in originality.

The **S&P 500** hit new records on Tuesday afternoon. That coincides with this week's milestone that marks the longest-running rally for U.S. stocks on record.

What would cause the **stock market** rally to end? Definitely not old age, say the pundits and journalists. "Wall Street got fresh proof that **stock market** bull markets don't die of old age," USA Today said on Tuesday.

Old-age deniers call the theory conventional wisdom, but it is hard to find anyone making the old-age argument right now. "We like to say: 'Bull markets don't die of old age; they die of excess," wrote strategists at LPL Research in a note last week.

At some point this **bull market** will die and if there is no obvious reason, everyone will agree it was just old age.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets
Trade Concerns Push Down Stocks; Share prices closed out August with gains

By Akane Otani and Riva Gold
702 words
31 August 2018
05:06 PM
The Wall Street Journal Online
WSJO
English

U.S. stocks closed out August with monthly gains, holding their ground even as jitters around trade negotiations drove investors out of major indexes elsewhere around the world.

Investors ended the month much as they began it: weighing questions around the future of U.S. trade policy. Stocks slipped after a report Thursday suggested President Trump was planning to move ahead with tariffs on Chinese imports. Separate reports that the U.S. and Canada were unable to reach a trade deal Friday kept major indexes under pressure, although the **S&P 500** erased its losses late in the session after officials said they would resume talks next week.

Even as the week's developments added to investors' uneasiness around trade, major indexes held on to their gains for both the week and the month. The **S&P 500**, **Nasdaq Composite**, Russell 2000 and Dow Jones Transportation Average all rose to fresh highs in August. For the month, the Dow industrials rose 2.2%, the **S&P 500** notched a 3% gain and the **Nasdaq** rose 5.7%—its best showing for August in 18 years.

Much of the advance was driven by large technology stocks, which rallied in August and extended their gains for the year. Apple soared 20% for the month, while Amazon.com jumped 13% and Netflix rose 9%.

Investors were also reassured by upbeat economic data, which showed the U.S. economy grew faster than initially expected in the second quarter and after-tax corporate profits rising at the fastest pace in six years.

"It's hard to argue with GDP numbers, [and] it's hard to argue with corporate profits. If we can get some of the obstacles around trade out of the way, the environment is positive," said Sean O'Hara, president of Pacer ETFs.

The **Dow Jones Industrial Average** fell 22.10 points, or 0.1%, to 25964.82 on Friday. The **S&P 500** added 0.39 point, or less than 0.1%, to 2901.52 and the **Nasdaq Composite** edged up 21.17 points, or 0.3%, to 8109.54.

Elsewhere, investors broadly pulled back from stocks, sending the Stoxx Europe 600 down 0.8%. The index ended the month lower, hurt in August by worries about the Italian budget in the fall and exposure to emerging markets, which have suffered in recent weeks.

Stocks in Asia also retreated, with the Shanghai Composite falling 5.3% in August despite slightly better-than-expected factory data and Hong Kong's Hang Seng losing 2.4% for the month.

Worries about U.S.-China trade tensions and the broader health of the Chinese economy have sent Chinese stocks sharply lower in recent months.

"Trade is only part of the problem. It's exacerbated the growth slowdown they were trying to navigate already," said Brian Jacobsen, a multiasset strategist at Wells Fargo Asset Management. "Until you get clarity on the trade situation, we're going to continue to see a struggle."

India's rupee and the Argentine peso recently hit record lows, while Turkey's lira was poised to notch a 25% decline against the U.S. dollar for the month.

"The lira doesn't have anything that supports it at the moment," said Cristian Maggio, head of emerging-markets strategy at TD Securities. "The macroeconomic picture is not good, especially when one looks at inflation."

Christopher Peel, chief investment officer at Tavistock Investments, said he sharply reduced his emerging-market exposure in June, but is now looking at opportunities to buy back in, particularly in countries that have low current-account deficits and low levels of dollar debt liabilities that he believes have been unfairly hit by worries around Turkey and Argentina.

"I think the contagion that seeped into wider emerging markets is overdone," he said, noting it occurred during the month of August, when many market participants are on vacation. "There are some large emerging markets that are very, very cheap."

Ben Eisen contributed to this article.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

Stocks Pulled Down by Energy, Materials Sectors; Investors worry that Turkey's economic crisis could spread to other emerging markets

By Ben St. Clair and Amrith Ramkumar
599 words
15 August 2018
07:16 PM
The Wall Street Journal Online
WSJO
English

U.S. stocks tumbled Wednesday in a broad selloff led by the energy and materials sectors, as the **Dow Jones Industrial Average** and **S&P 500** posted their fifth decline in the past six sessions.

After mostly rising to start the month on the back of strong corporate-earnings reports, U.S. stocks have been pressured in recent sessions as investors worry that Turkey's economic crisis could spread to other emerging markets.

Some investors expect steady U.S. earnings and economic growth to continue supporting major indexes, but analysts say the market is starting to pay more attention to the challenges gripping other countries.

"The level of growth was so far above a sustainable trend that the only logical thing to assume was that it was going to moderate a bit," said Jonathan Golub, chief U.S. equity strategist at Credit Suisse.

The **S&P 500** slumped 21.59 points, or 0.8%, to 2818.37, while the Dow industrials declined 137.51 points, or 0.5%, to 25162.41. The **S&P 500** is up less than 0.1% during August, while the blue chips—which are more sensitive to trade tensions—are down 1%. The technology-heavy **Nasdaq Composite** fell 96.78 points, or 1.2%, to 7774.12 Wednesday and is up 1.3% month to date.

Commodities, including oil and metals prices, also dropped sharply Wednesday, putting pressure on energy and materials companies in the **S&P 500**. Those sectors fell 3.5% and 1.6%, respectively.

Only the utilities, telecom, real-estate and consumer-staples sectors rose in the **S&P 500**. All four groups are considered safety plays because of their hefty dividend yields.

"The story for this week is clearly centered on Turkey, tariffs, the dollar and weakness in the **equity market**," said Kevin Giddis, head of fixed income capital markets at Raymond James, in a note.

Investors were also weighing economic data showing Americans boosted their spending in July, a robust start for consumer spending in the third quarter amid a strong labor market and consumer confidence.

Among individual stocks, Macy's dropped $6.67, or 16%, to $35.15 after the department-store operator reported a slight drop in sales in the latest quarter as it tried to strengthen its bricks-and-mortar business with store remodels and off-price locations. The shares dragged down a number of other retail stocks, including Kohl's and Gap.

Earnings reports from other retailers, including Walmart, J.C. Penney and Nordstrom, are on deck for Thursday.

Corona brewer Constellation Brands slumped 13.54, or 6.1%, to 208.27 after saying it is investing $4 billion into Canadian marijuana grower Canopy Growth, a big wager on the potential for cannabis-infused drinks and other products.

Chipotle Mexican Grill rose 32.57, or 6.6%, to 525.89 after Morgan Stanley analysts upgraded the burrito chain's shares to "overweight," saying the company has a clear path to recovery thanks to new management and "low-hanging" opportunities to drive sales.

Write to Amrith Ramkumar at amrith.ramkumar@wsj.com

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THE WALL STREET JOURNAL.

Markets

Consumer-Staples Rally Underscores Investor Wariness; Investors hedge their bets, even as S&P 500 edges toward new highs

By Akane Otani
831 words
16 August 2018
04:38 PM
The Wall Street Journal Online
WSJO
English

Shares of companies selling everyday household goods such as laundry detergent, cereal and razors are climbing, suggesting that even as the **S&P 500** inches toward new highs, investors are hedging their bets through what they see as a safe corner of the market.

The **S&P 500** consumer-staples sector has jumped 10% over the past three months, outpacing the **S&P 500**'s 4.3% gain over the same period.

The sector's rally has helped it chip away at its loss for the year, although it still trails the **S&P 500**'s 6.2% gain and remains the index's second-worst-performing sector in 2018.

To some analysts, the group's comeback is the latest example of investors paying up for protection against unexpected pullbacks. Investors often flock to shares of consumer staples during bouts of market **volatility**, both because of their relatively generous dividend payouts and because of the slow and steady nature of their businesses. Since consumers usually continue buying the products that staples firms sell regardless of market or economic conditions, investors tend to view the sector as a haven—somewhere to flock to when they are wary of threats such as rising interest rates and increasingly restrictive trade policies between the U.S. and the rest of the world.

"If you're predisposed to being defensive, staples over the last three months have looked like [a] great value," said Art Hogan, chief market strategist at B. Riley FBR.

Part of staples' allure has stemmed from their dividend payouts, which have become increasingly attractive to investors as the yield on the **10**-**year Treasury** note has fallen off its May high. Worries about trade tensions buffeting the markets have stoked demand for government bonds, keeping a lid on Treasury yields' advance. That has in turn made bond proxies more attractive to investors by giving them a way to earn income in the **stock market** with relatively low levels of risk.

The **S&P 500** consumer-staples sector recently carried a dividend yield of around 2.85%, exceeding the broader **S&P 500**'s 1.79% dividend yield and floating just below the **10**-**year Treasury** note's 2.871% yield Thursday.

In recent months, consumer staples also have benefited from a relatively upbeat round of earnings results that suggests the industry is regaining ground following a tumultuous start to the year.

Shares of companies offering household basics suffered a steep slide earlier in the year after reports from stalwarts such as Pampers diaper maker Procter & Gamble Co. and Kleenex maker Kimberly-Clark Co. showed the group struggling to fend off rising costs and competition from discount retailers.

But the latest batch of earnings reports have been more sanguine, helping revive investor interest in staples companies. Walmart Inc. shares soared Thursday after the company reported sales grew at the fastest pace in over a decade for the most recent quarter, while Kroger shares rallied after the firm in June posted stronger-than-expected earnings and sales and said it was cutting prices on some groceries in an effort to compete with e-commerce giants like Amazon.com Inc. Companies also have signaled a willingness to boost prices on their core products—something that executives hope will lift sales down the line. P&G said in July that it would increase prices on its Pampers products in North America, as well as its Bounty, Charmin and Puffs products, while rival Colgate-Palmolive Co. said it would lift prices in the second half of the year to help offset rising raw-materials costs.

Some analysts remain skeptical of the consumer-staples bounce.

Inflows into equity funds tracking consumer-staples companies looked "aggressive" in the past couple of months, according to a note from Chris Verrone, a partner at Strategas Research Partners. Flows over the past 65 days into the Consumer Staples Select Sector SPDR Fund recently hit the 95th percentile, Mr. Verrone noted. Historically, when investors have pumped money into staples funds at that pace, they have been hit by below-average returns afterward.

Others note that firms in the staples sector still face significant challenges, including a stronger U.S. dollar, which often hurts profitability for large multinational companies; difficulty passing on rising production costs to consumers; and fallout from tariffs imposed by Canada, Mexico and the European Union.

RBC Capital Markets said in August that while it was putting large-cap consumer-staples shares on "upgrade watch," it was recommending against holding large positions in the group because of the many headwinds it still faces.

"What I get concerned about is that even with the selloff they've had, they don't look cheap," said B. Riley FBR's Mr. Hogan, who noted the sector's valuation remains near historical averages.

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

U.S. Stocks Waver, Pressured by Utilities and Energy Firms; Investors have remained guardedly optimistic as companies have reported positive earnings growth

By Ben St. Clair and Allison Prang
617 words
8 August 2018
04:54 PM
The Wall Street Journal Online
WSJO
English

U.S. stocks waffled between small gains and losses Wednesday as shares of consumer-staples and energy companies slumped and the **S&P 500** hovered just below its all-time high.

The broad **stock-market** index fell less than 0.1%, or 0.75 point, to 2857.70, after closing at its second-highest level ever Tuesday. It remains about 0.5% away from its January high. The **Dow Jones Industrial Average** dropped 45.16 points, or 0.2%, to 25583.75, while the **Nasdaq Composite** rose 4.66 points, or less than 0.1%, to 7888.33.

Investors continue to parse corporate-earnings results, with the bulk of companies done reporting numbers for the most-recent quarter. The long-running uncertainty over trade also pressed on as the Trump administration completed plans Tuesday to impose tariffs on an additional $16 billion of Chinese imports. The penalties, which were widely expected and would take effect Aug. 23, bring the total amount of Chinese goods covered by tariffs to $50 billion.

Still, U.S. economic data have pointed to a strong economy, and investors have remained guardedly optimistic as companies this year have reported positive earnings growth, pushing the **S&P 500** up 3.6% in the past month. Unfilled jobs are growing in nearly every industry amid an expanding economy and a historically low unemployment rate, which was 3.9% last month. The problem is most acute in a few fields, led by transportation.

Ryan Kelley, portfolio manager at Hennessy Funds, said earnings are "somewhat old news" given that most companies in the broader index have already reported results, but "we're very encouraged" that fundamentals are fueling the market.

"Trade continues to be an issue," but it isn't clear how tariffs are going to affect earnings, Mr. Kelley said.

Shares of energy companies were among the worst performers in the **S&P 500**, with the sector losing 0.8% as **oil prices** tumbled. U.S. crude for September delivery settled down $2.23, or 3.2%, at $66.94 a barrel after data showed total U.S. stockpiles of oil and fuel hit a seven-month high, suggesting supply was outpacing demand.

Declines in the consumer-staples sector, down 0.8%, also dragged on the broad index, while technology and financials edged higher.

Shares of Snap fell 89 cents, or 6.8%, to 12.23 after the company posted its first quarterly decline in users. Alternatively, shares of CVS Health rose 2.72, or 4.2%, to 68.17 after adjusted earnings, revenue and same-store sales all beat estimates for the latest quarter.

Shares of Walt Disney fell 2.58, or 2.2%, to 113.98 after the media company reported adjusted earnings and revenue that missed estimates amid a ramp-up in spending.

"The factor that's driving markets are earnings," said Neil Veitch, global investment director at SVM Asset Management. "The market, particularly in the U.S., continues to grind higher," added Mr. Veitch, who like many investors is optimistic about growth prospects.

Elsewhere, the Stoxx Europe 600 slipped 0.2%. Japan's Nikkei Stock Average edged down 0.1%, while Hong Kong's Hang Seng climbed 0.4%. The Shanghai Composite Index fell 1.3%.

Write to Allison Prang at allison.prang@wsj.com

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

Dow Rises to Highest Level Since February; Investors are optimistic about deal activity and trade developments

By Amrith Ramkumar and Riva Gold
875 words
20 August 2018
05:29 PM
The Wall Street Journal Online
WSJO
English

The **Dow Jones Industrial Average** rose to its highest level since early February on Monday, lifted by investor optimism about deal activity and trade developments.

A busy year for mergers and acquisitions continued as PepsiCoagreed to buy home-carbonation company SodaStream International for $3.2 billion, the latest move by the company to diversify away from sugary sodas and salty snacks.

Meanwhile, Tyson Foods said it would buy Keystone Foods, a supplier of chicken nuggets to McDonald's and other companies, for $2.2 billion as part of its strategy to bolster its protein offerings.

Despite worries about weakness in emerging markets and the trade fight between the U.S. and China, stocks have shown resilience this summer and M&A activity has surged.

"The signal that we can take away from that is that sentiment has not been hit sufficiently by the trade uncertainty that it puts business decisions in question," said Gabriela Santos, global market strategist at J.P. Morgan Asset Management.

The Dow industrials climbed 89.37 points, or 0.3%, to 25758.69—their highest close since Feb. 1. The **S&P 500** added 6.92 points, or 0.2%, to 2857.05, bringing it 0.6% below its January record. The tech-heavy **Nasdaq Composite** edged up 4.68 points, or less than 0.1%, to 7821.01. The trio of indexes has climbed in three straight sessions.

Stocks tied to commodities and global growth lifted large indexes, with the materials, energy and industrials sectors ranking as the **S&P 500**'s best performers. Investors are now waiting to see if the **S&P 500** can set a new high after the index came within 0.5% of that level earlier this month.

Among individual stocks, American Airlines Group climbed $2.20, or 5.8%, to $39.99, its largest one-day advance since October. Retailers also climbed ahead of Kohl's earnings Tuesday, with Macy's rising 2.18, or 6.1%, to 38.21.

Many analysts expect strong economic data and earnings to continue buoying large indexes. Others have been encouraged by the latest trade headlines late last week. Negotiators from the U.S. and China have been working on talks to try to end their trade standoff ahead of planned meetings between President Trump and Chinese leader Xi Jinping at multilateral summits in November, The Wall Street Journal reported.

Worries about a growth-hindering trade conflict have hurt stocks around the world and other risk assets such as commodities in recent months. Minutes from the Federal Reserve's August meeting, due later this week, as well as the Kansas City Fed's annual Jackson Hole symposium, could show how central bankers view the latest developments, analysts said.

Investors were also watching the Turkish lira Monday, as the currency's sharp declines this summer have fueled anxiety about the declines spreading to other emerging markets. It edged lower against the dollar Monday.

S&P Global Ratings and Moody's Investors Service on Friday downgraded Turkey one notch further below investment grade, citing recent extreme economic and financial **volatility**.

The Trump administration also rejected an effort by Turkey to tie the release of a U.S. pastor with relief for a large Turkish bank facing billions of dollars in U.S. fines, a senior White House official said.

"When it comes to Turkey specifically, I wouldn't say they're out of the woods just yet," said Mohammed Kazmi, a portfolio manager at Union Bancaire Privée, saying the country's central bank will have to raise interest rates significantly to reassure investors.

Combining Turkey's situation with a recent strengthening of the dollar, "it brings the focus back on short-term external debt levels within emerging markets, especially as it looks like the Fed will continue hiking [rates]," he said.

Some analysts worry that the dollar's strength could also pose a challenge for large multinational firms by making U.S. exports less competitive in global markets. It has also challenged some commodity investors by making materials priced in dollars more expensive for overseas buyers.

On Monday, the WSJ Dollar Index, which tracks the dollar against a basket of 16 other currencies, dropped 0.3%. The yield on the benchmark 10-year U.S. Treasury note declined to 2.823%—its lowest close since May—from 2.873% Friday. Yields fall as **bond prices** rise.

Elsewhere, gains in commodity-linked firms pushed the Stoxx Europe 600 up 0.6% after the index posted its biggest weekly decline since June.

Stocks in Asia were mostly higher Monday after an upbeat finish Friday on Wall Street. Hong Kong's Hang Seng added 1.4%, while the Shanghai Composite Index rose 1.1% after five sessions of declines.

Write to Amrith Ramkumar at amrith.ramkumar@wsj.com and Riva Gold at riva.gold@wsj.com

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The New York Times

Business Day; DealBook
Why A.M.D.'s Stock Is Outperforming Intel's

By Jamie Condliffe
459 words
24 August 2018
03:14 PM
NYTimes.com Feed
NYTFEED
English

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A turnaround that started in 2014 is beginning to pay off for Advanced Micro Devices' shareholders.

The chip maker's stock hit an 11-year high of $22.29 on Thursday and is up 103 percent for the year. Its second-quarter results for 2018 showed sales up 53 percent compared with the same period a year earlier, buoyed by the success of computing, graphics and enterprise hardware. By contrast, its longtime rival Intel is up just 1.8 percent this year, and it reported a 15 percent increase in sales in the second quarter compared with last year.

A.M.D.'s shares are easily the best performing among the chip makers in the **Standard & Poor**'**s 500**-**stockindex**.

That is quite a reversal. A boom in mobile devices and video games, as well as the rise of artificial intelligence and autonomous driving, sent shares of chip makers soaring. Since the start of 2016, shares of semiconductor companies in the **S**. **& P**. **500** as a whole have nearly doubled. But shares of A.M.D. had lagged behind its rivals.

For years, A.M.D. produced processors whose main attraction was price. When Lisa Su took over as chief executive of the company in 2014, she sought to change that. But in the semiconductor industry, new products take years to develop, and so the efforts have only recently borne fruit.

The company's Ryzen chips, used in high-performance enterprise and gaming computers, outperform Intel's flagship processors. Many computer makers, including Acer, Asus, Dell, HP, Huawei, Lenovo and Samsung, have begun using them in their devices.

Its graphics chips — a growth area, because such processors are commonly used for artificial intelligence computation — have sold well, too. And its new Epyc data-center chips used by companies like Baidu, Cisco, Microsoft and Tencent are gaining traction in a market traditionally dominated by Intel.

It is also preparing next generation chips based on a so-called seven-nanometer architecture, ready later this year. Smaller nanometer manufacturing technology has traditionally provided faster chips.

Intel has weathered a spurt of bad news over the past year. Computer security experts have discovered two major security flaws — named Meltdown and Spectre — that affected its chips. Its chief executive, Brian Krzanich, resigned over a relationship with a subordinate. And Intel announced delays to its own next generation hardware.

The plan that Lisa Su, the chief executive of A.M.D., put in place in 2014 has begun to pay off for shareholders. | Earl Wilson/The New York Times

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THE WALL STREET JOURNAL.

U.S. Markets
Markets

Stocks Get Small Boost From Trade Deal; The S&P 500 and Nasdaq Composite inch up to record closes

By Jon Sindreu and Allison Prang
706 words
28 August 2018
06:20 PM
The Wall Street Journal Online
WSJO
English

U.S. stocks rose Tuesday after the U.S. and Mexico agreed on a deal to revise the North American Free Trade Agreement.

The **Dow Jones Industrial Average** gained 14.38 points, or less than 0.1%, to 26064.02. The **S&P 500** added 0.78 point, or less than 0.1%, to 2897.52 and the **Nasdaq Composite** rose 12.14 points, or 0.2%, to 8030.04, with both indexes closing at new records. The **Nasdaq**'s increase comes a day after the technology-heavy index closed above 8000 for the first time.

The threat of what many analysts call protectionist U.S. policies has damped global market sentiment through most of this year. The outcome of the Nafta deal is seen by some as a bellwether for President Trump's future dealings with China.

The prospect of Mr. Trump successfully negotiating new trade deals is likely to be taken by investors as a hopeful sign that a major trade war will be avoided, analysts said.

Kristina Hooper, chief global market strategist for Invesco, said the market "positively overreacted" to the news concerning U.S. and Mexico and that stocks were "really taking a breather" following Monday's increases.

Investors have shown they are worried about the trade scenario, she said. "Otherwise, we wouldn't see a positive reaction." With trade, the market wants to grab onto positives and "ignore the downside of the Trump administration's trade policy," she said.

Some money managers remained unconvinced that trade frictions have eased substantially after Mr. Trump said Monday that Canada would be severed from the North American trade area if necessary.

Christian Lawrence, senior market strategist at Dutch lender Rabobank, told clients in a note that the "announcement does make a new Nafta agreement more likely," but it "also increases the risk that an agreement will not be reached with Canada and we eventually see a move to bilateral agreements."

It is hard to draw conclusions from recent market action, given low summer trading volumes, said Michael Scanlon, managing director at Manulife Asset Management. While the situation with Mexico is good for stocks and a deal with Canada would also help shares, recent comments from administration officials haven't convinced him that the U.S. is closer to reaching a deal with China.

Mr. Scanlon said, however, that "these things can move pretty quickly," and added that data showing a slowdown in China's growth could make the country want to work with the U.S. more quickly.

Many investors and analysts believe that stock markets outside the U.S. would reap most of the gains of an easing in trade frictions. This summer, aggressive U.S. foreign policy has helped push investors into the relative safety of U.S. stocks and bonds.

Because economic growth and earnings there are stronger, "the U.S. is best-in-class and there's no way to avoid U.S. assets," said Witold Bahrke, senior macro strategist at Nordea Asset Management. "And on top of that, you have these trade issues, which increase the divergence between the U.S. and the rest of the world."

Earnings for **S&P 500** companies that have reported are up 25% for the second quarter, according to FactSet.

Shares of Best Buy fell $4.09, or 5%, to $77.57 Tuesday after the company reported second-quarter results that beat analysts' estimates. Best Buy raised its annual guidance for its top line and profit but said it expects a drop in operating profit in the third quarter.

In August, the U.S. became the top equity region for international fund managers for the first time in five years, according to a monthly survey by Bank of America Merrill Lynch.

The Stoxx Europe 600 fell less than 0.1%. Japan's Nikkei Stock Average closed up less than 0.1% and Hong Kong's Hang Seng gained 0.3%.

Write to Jon Sindreu at jon.sindreu@wsj.com and Allison Prang at allison.prang@wsj.com

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U.S. Markets
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U.S. Stocks Tick Higher After Strong Earnings; The S&P 500 posted its fifth consecutive weekly gain

By Akane Otani and Ben St. Clair
593 words
3 August 2018
05:36 PM
The Wall Street Journal Online
WSJO
English

* **S&P 500**, Dow industrials post weekly gains

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U.S. stocks rose Friday, lifting the **S&P 500** to its fifth consecutive weekly gain, after a string of upbeat earnings helped reassure investors that the market is on solid footing.

The **Dow Jones Industrial Average** added 136.42 points, or 0.5%, to 25462.58. The **S&P 500** was up 13.13 points, or 0.5%, to 2840.35 while the **Nasdaq Composite** edged up 9.33 points, or 0.1%, to 7812.01.

For the week, the Dow industrials rose less than 0.1%, the **S&P 500** rose 0.8% and the **Nasdaq** advanced 1%.

Stocks were steady after Labor Department data Friday showed U.S. nonfarm payrolls rose a seasonally adjusted 157,000 in July, less than the 190,000 that economists surveyed by The Wall Street Journal had expected. Still, over a broader period, job growth looks strong, analysts said—with the pace of hiring through the first seven months of this year rising from last year's average through July.

Robust economic data and corporate earnings have helped keep investors relatively optimistic in recent months, even as global trade tensions have ratcheted higher. After reporting solid revenue and profit gains this week, Apple became the first U.S. company to surpass $1 trillion in market value.

On Friday, Kellogg shares jumped $2.27, or 3.2%, to $72.15 after the cereal maker raised its full-year guidance Thursday, and Dish Network soared 4.34, or 15%, to 34.20 after posting better-than-expected results.

"What we can trade on is earnings, and it's been a good earnings season," said JJ Kinahan, chief market strategist at TD Ameritrade. "Until we have proof that something else is happening, I think you have to continue on with that thought."

Stocks elsewhere mostly rose, with the Stoxx Europe 600 up 0.7%. Major indexes in Asia struggled for traction, though, as trade tensions continued to weigh on investors' minds.

Chinese officials said Friday they would impose tariffs on $60 billion of U.S. products if Washington moves ahead with threats to raise the rate of planned duties on $200 billion of Chinese goods to 25% from 10%.

The Shanghai Composite Index fell 1%, suffering its largest one-week percentage decline since February. Hong Kong's Hang Seng was down 0.1%, while Japan's Nikkei Stock Average edged 0.1% higher.

"A common theme in recent weeks is for Asia and Europe to struggle on trade war headlines, but for the U.S. to break the shackles and shrug off any weakness and recover," strategists at Deutsche Bank said in a note Friday.

Trade fears have also weakened the Chinese yuan, sending it to 14-month lows against the dollar. The WSJ Dollar Index, which measures the dollar against a basket of 16 currencies, was down 0.1%. It has been up for three of the past four weeks.

Write to Akane Otani at akane.otani@wsj.com

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THE WALL STREET JOURNAL.

The Intelligent Investor
Markets
No, Stocks Aren't Cheap, but Don't Act Rashly; What long-term investors should do amid hazards that might make the stock market crash

By Jason Zweig
890 words
21 August 2018
11:00 AM
The Wall Street Journal Online
WSJO
English

If you're like many investors, you might be thinking it's time to take some risk off the table.

On Wednesday, barring a crash, this **bull market** will become the longest in the history of the **S&P 500**, according to S&P Dow Jones Indices. Stocks have been rising steadily, without the 20% decline that conventionally defines a **bear market**, since March 2009—making this bull run about to exceed the nearly-10-year stretch that ended in March 2000.

After returning more than 400%, including dividends, since this **bull market** began, U.S. stocks aren't cheap. They're selling at about 32.8 times their long-term average earnings, adjusted for inflation, according to data from economist Robert Shiller at Yale University—nearly twice their typical level since 1881.

Meanwhile, analysts expect interest rates to rise, some giant technology companies are faltering, trade wars seem to be spreading and emerging-market economies are sputtering. Should you protect your assets from a potential collapse?

First, it's worth bearing in mind that there's always something for investors to worry about.

Yes, 2018 is full of uncertainty and teeming with hazards that might make the **stock market** crash. So was 2017. So were 2016, 2015, 2014—and every year since stockbrokers first gathered in New York in the early 1790s.

That's why now, like most of the time, the right thing for long-term investors to do is…nothing.

If you're convinced that Armageddon is around the corner, however, you probably should take your fear as a signal that it's time to re-evaluate your investing plan. After all, if the market does crash and you did nothing to act on your worries, you will kick yourself and may well bail out of the market completely.

One of the keys to successful investing over the long run, the Nobel Prize-winning psychologist Daniel Kahneman has often said, is minimizing your future regret. The bigger, more frequent and more sudden the steps you take, the more opportunities you create to look back later and regard them as mistakes.

So, if markets and geopolitics are making your skin crawl, perhaps you should do something. If you turn out to be right, you will be glad you took action, however incremental it was. But all your actions should be small, gradual and reversible—in case you turn out to be wrong.

A few such baby steps can make a big difference in your peace of mind during turbulent times.

Start by regarding the risks in your portfolio in the broadest possible light. If you have both some spare cash and a mortgage, use the cash to pay down or pay off the home loan. Extinguishing a 4% mortgage provides you a 4% return at zero risk—a deal you're unlikely to beat anywhere else. Plus, you eliminate the anxiety that debt can cause in an economic downturn.

If you reap a windfall from an inheritance or selling a home, says Elyse Foster of Harbor Financial Group in Boulder, Colo., you could keep that money in cash as a psychological cushion against your fears of an impending crash.

If you dollar-cost average, buying a fixed amount of funds or stocks automatically every month, you could suspend that program, says Peter Lazaroff, co-chief investment officer at Plancorp, an investment-advisory firm in St. Louis that manages about $4 billion. But you should work with your financial adviser to set a predetermined date on which you will resume your contributions—say, six months from now—and agree that if stocks fall by 20% or more, you will automatically begin buying again to take advantage of the decline.

You and your financial adviser should long ago have set a target asset allocation, which determines how much of your holdings you spread across stocks, bonds and other investments. Particularly within a retirement account, where sales won't generate tax bills, you could downshift some of your risks without changing your overall allocations, says Mary Alpers of Alpers Financial Planning in Colorado Springs, Colo.

You might reduce your holdings of **volatile** growth stocks and put the proceeds in more-conservative shares, for example—leaving your total position in stocks unchanged but reducing your potential losses in a crash.

If none of this enables you to sleep at night, you may be overexposed to stocks. Scale back your allocation—a little at a time. Say you and your financial adviser decide you should reduce stocks from 70% of your portfolio to 50%. You could cut back by 5 percentage points every six months or by 1 percentage point each month. "People respond to that pretty well," says Rick Miller of Sensible Financial Planning and Management in Waltham, Mass. "People like to make changes gradually to help avoid regrets."

At emotionally challenging times in the market, wrote the financial analyst Benjamin Graham in his book "The Intelligent Investor," investors need "some outlet" for their "otherwise too-pent-up energies." Baby steps can keep you from taking big steps you might be sorry about later.

Write to Jason Zweig at intelligentinvestor@wsj.com

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THE WALL STREET JOURNAL.

Markets

Small Stocks Hang On to Big Gains, for Now; Tax cuts, trade frictions boost investor demand for shares of smaller companies

By Michael Wursthorn
931 words
29 August 2018
05:59 PM
The Wall Street Journal Online
WSJO
English

Soaring profits at smaller publicly traded companies are driving the Russell 2000 to new records as investors bet U.S. economic strength will boost smaller companies while trade frictions hit their multinational counterparts.

The sweeping tax cut passed last year has driven corporate profits up across the country, especially at small businesses that get most of their sales from within the U.S. A resurgence in economic growth and consumer spending has brightened prospects for the **stock market**'s smaller cohorts, analysts say, while the shadow of a trade war has damped the returns of big, multinational stocks such as industrial manufacturers.

With more than 90% of the Russell 2000 having reported second-quarter results so far, earnings throughout the index of small-capitalization stocks grew 35% from a year earlier, while sales jumped 10.5%, according to Michael O' Keeffe, chief investment officer at Stifel Nicolaus & Co. That is better than the **S&P 500**, which grew profits and sales from a year earlier by 25% and 10%, respectively, according to FactSet.

But any apparent easing of trade tensions could lead to a rebound of multinationals' stocks. The **S&P 500** has risen 1.4% this week amid signs of progress on trade negotiations between the U.S., Mexico and Canada. The Russell and the S&P Small Cap 600, another small company benchmark, have risen 0.5% and 0.3%, respectively, over that time.

"The market is off high alert regarding trade risks," said Mark Stoeckle, chief executive officer at Adams Funds. "This has recently given a boost to stocks relative to small-caps, but let's not forget that small-caps are still outperforming year to date."

Small-cap stocks continue to hold a commanding lead over their bigger counterparts, as trade tensions have flared and ebbed. The Russell 2000 has climbed 13% this year, notching 29 record closes, while the **S&P 500** has gained 9% and last week reached its first new closing high since January.

Small-cap stocks also often swing more than the rest of the market and can suffer sharp reversals. That is a tendency some analysts say could be exacerbated if the market has understated the risks of trade wars and tariffs, which could spill over to small companies. And the run-up has stretched valuations of many small-cap companies to their highest levels of the year.

For now, investors are betting that the tit-for-tat trade spat between Washington and Beijing and other allies will continue to have a bigger impact on multinational companies that get revenue from overseas, compared with smaller companies. The **S&P 500** gets about 30% of its revenue from outside the U.S., while Russell 2000 companies have foreign exposure of about 21%, according to a Bank of America Merrill Lynch research note.

But beyond trade, some money managers say the earnings gains could continue because investors are underpricing the economic boom currently under way, with some failing to see that small-cap companies are poised to ride the upswing in sales and consumer spending to even higher earnings next year after the immediate benefits of the tax cut fade.

Solid consumer spending, strong business investment and a surge of exports, among other factors, helped push second-quarter gross domestic growth up to 4.1%, the fastest pace in nearly four years. The National Federation of Independent Business said its Small Business Optimism Index climbed in July to the second-highest level in its 45-year history, as business owners expect the strong sales to continue.

"These companies are at the healthiest I've seen them in a while," said Craig Hodges, portfolio manager for Hodges Funds, of the smaller segment of the **stock market**. "There's real optimism among these companies, and it's not all being reflected in the public, which thinks we're at the end of this historically very long **bull market**."

That strong economic footing is setting small-cap stocks up for another blockbuster quarter of earnings in the third quarter—and next year. Third-quarter earnings projections for the Russell 2000 have gotten rosier, with companies' profits expected to increase 37% from a year earlier, according to the data compiled by Mr. O'Keeffe.

Earnings growth will dip in the fourth quarter, according to the analysis, but growth rates of about 27% are projected for the first two quarters of 2019. **S&P 500** earnings are projected to fall in the third quarter from the prior three-month period, according to FactSet.

Still, small-cap stocks aren't completely immune to a trade war either, since many are suppliers to companies, according to several analysts, and investors may be overlooking the potential hits to profit if trade frictions spiraled.

U.S. GDP growth is more vulnerable to a trade war than the rest of the world, and small-cap stocks underperformed big companies in 83% of historical situations where U.S. growth slowed at a faster rate than a broader, global decline, analysts at Bank of America Merrill Lynch said in a recent note.

"Trade risks appear priced in everywhere except for small-caps, the only segment of the market to see multiple expansion since mid-February," Bank of America said in the note.

The S&P 600 index is trading at about 18.3 times forward earnings, a peak for the year.

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

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THE WALL STREET JOURNAL.

Markets

Short Squeeze Roils Wall Street's Favorite Bond Trade; This month's decline in 10-year yields stems from a host of factors, investors and portfolio managers say

By Daniel Kruger
923 words
22 August 2018
The Wall Street Journal Online
WSJO
English

Corrections & Amplifications

An investor taking a short position in Treasury bond futures sells a contract, intending to profit by buying it back later at a lower price or delivering securities that could be sold at a lower price. An earlier version of this story incorrectly described the procedure for selling short a security. (Aug. 23)

A robust August rally in the Treasury market is foiling one of Wall Street's most popular trades, a bet that solid U.S. economic growth, rising inflation and eroding government finances will compel investors around the world to sell bonds.

A record number of hedge funds and other speculative investors are betting on lower U.S. government**bond prices** and higher yields, in part because the math behind such a wager appears too good to pass up.

The bets on lower prices, or "shorts" in traders' parlance, however, have been squeezed by this month's price rise in Treasurys, which has pushed the yield on the 10-year note to 2.83%. That's well below the 3% level that many investors have viewed as the current floor for a rate that stands at the center of **financial markets** and factors into trillions of dollars in outstanding mortgages and other loans.

The move has hurt investors who bet on a bond-price decline. Many have been doing so based in large part on a U.S. economy that grew at a 4.1% pace in the second quarter, its fastest pace since 2014. The unemployment rate meanwhile is at 4%, its lowest in decades. U.S. tax cuts have lifted corporate profits, potentially further boosting activity and increasing the government's borrowing needs. The **S&P 500** on Wednesday entered its longest-ever **bull market**, a day after setting its first new high since January.

As of last week, speculators had a record net short position of 698,194 Treasury futures contracts, according to the most recent data available from the Commodity Futures Trading Commission. That is up from a net short of 75,840 on Jan. 2. An investor taking a short position in Treasury bond futures sells a contract, intending to profit by buying it back later at a lower price or delivering securities that could be sold at a lower price.

Predictions that bond yields should rise have found favor with economists at Goldman Sachs Group, DoubleLine Chief Executive Jeffrey Gundlach and James Dimon, the CEO of JPMorgan Chase & Co., who said 10-year yields could reach 5%.

"We see the ingredients across the board for general upward pressure on yields," said Bill Merz, head of fixed-income research at U.S. Bank Wealth Management, whose firm isn't betting that Treasury prices will fall.

The recent decline in yields also defies the Federal Reserve's tightening campaign, which is pushing up the rate on shorter-term bonds. Together, the long-term Treasury rally and the Fed's rate increases have narrowed the spread between short- and long-term debt to its lowest level in years, raising concern among economists about the prospect for an economic slowdown.

So far, there is no reason to doubt that the U.S. economy will continue growing some nine years into a tepid but steady expansion. Instead, investors and portfolio managers said, this month's decline in 10-year yields stems from a host of factors.

They cite the Fed's determination to raise interest rates even in the face of inflation that, while recently at the highest in six years, remains low historically and relative to joblessness. Also at play: the risk that escalating trade spats between the U.S. and its major trading partners could curb exports and reduce consumption, as tariffs lift prices of imported goods.

And, in a typical bit of **financial markets** justice, the size of the short position likely is itself contributing to the Treasury rally, as those who had wagered prices would fall respond to bad news by closing out bets—a decision that forces them to buy the securities they were betting against.

"It's definitely been a factor," said Wan-Chong Kung, a bond fund manager at Nuveen Asset Management.

Some of the speculative short bets may reflect investors hedging other positions or may be parts of multifaceted trades involving other securities, analysts cautioned. They also cite less **bearish** signs coming from the markets for options and interest-rate swaps. Many of the short bets are the product of algorithmic trading models and reflect correlated market movements more than a conscious market view.

In any case, few expect the rally to continue indefinitely. The global economy appears undamaged by the recent financial mayhem in Turkey and Venezuela, and the prospect that the U.S. will need to borrow substantially more in coming years to cover growing deficits will over time likely become a more significant dynamic in the market, investors said.

Meanwhile, though the 10-year yield is likely to fall as low as 2.625% should the array of global risks worse significantly, said Andrew Brenner, head of global fixed-income at NatAlliance Securities. He forecasts the yield will rise to a new high for the year, surpassing the 3.11% reached in May.

The many dynamics operating at tension in the market now are difficult to untangle, said David Ader, chief macro strategist at Informa Financial Intelligence. "It's a puzzle," he said.

Write to Daniel Kruger at Daniel.Kruger@wsj.com

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THE WALL STREET JOURNAL.

U.S. Markets
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Stocks Rise as Worries Over Turkey Spillover Ease; Many investors in the U.S. continue to focus on what has been a strong corporate-earnings season

By Francesca Fontana and Ben St. Clair
806 words
14 August 2018
06:27 PM
The Wall Street Journal Online
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English

U.S. stocks climbed Tuesday, halting four-session losing streaks for the **Dow Jones Industrial Average** and **S&P 500**, as concerns over the Turkish lira's recent slide appeared to ease.

The Dow industrials added 112.22 points, or 0.4%, to 25299.92, while the **S&P 500** gained 18.03 points, or 0.6%, to 2839.96. The technology-heavy **Nasdaq Composite** rose 51.19, or 0.7%, to 7870.89.

Stocks have been under pressure in recent sessions, as investors worried that Turkey's economic crisis could spread to other emerging markets. But Tuesday's gains show that investors are reassessing the risk of spillover, said Christopher Harvey, head of equity strategy at Wells Fargo Securities.

"It's a rebound from some of the contagion [fears], as cooler heads prevail," Mr. Harvey said.

The Turkish lira rose 8.3% against the dollar after plunging as much as 10% in the previous session.Turkey's central bank on Monday introduced measures to boost liquidity in the market, but investors remain concerned that the bank isn't independent from President Recep Tayyip Erdogan. He has blamed the U.S. and social media for the country's economic troubles.

Barry Bannister, head of institutional equity strategy at Stifel Nicolaus, said the financial predicament in Turkey leaves the U.S. Federal Reserve "between a rock and a hard place."

"They must pursue a policy of normalizing the cost of money," Mr. Bannister said. "But in so doing, they wreak havoc in emerging markets."

Meanwhile, a measure of expected stock swings dubbed the Cboe **Volatility** Index edged lower after closing Monday at its highest level in more than two months.

In the U.S., many investors continued to focus on what has been a strong corporate-earnings season. With results in from 91% of **S&P 500** companies, firms are on track to post earnings growth of 25% from the year-earlier period, according to FactSet. Several retailers, including Macy's, Walmart, J.C. Penney and Nordstrom, are on tap to report results later this week.

Home Depot and Tapestry reported strong earnings before the market opened. The home-improvement company reported better-than-expected second-quarter results and raised its outlook for the rest of the year. But its shares slipped $1.04, or 0.5%, to $193.10 as tariffs caused a slight increase to the company's cost of goods.

Tapestry, the parent company of luxury brands such as Coach, reported quarterly earnings and sales that beat analysts' expectations. The company said its sales were aided by the contribution of Kate Spade, which Tapestry acquired last year. Its shares rose 5.70, or 12%, to 53.16.

"Retailers seem to be well-positioned for recovery," Mr. Bannister of Stifel Nicolaus said.

The consumer-discretionary sector of the **S&P 500**, which is home to many retailers, gained 1% and is the best-performing group in the index this year behind technology.

Overseas, the Stoxx Europe 600 rose less than 0.1%, while Asian stocks were mixed.

Upbeat economic data gave European investors reason for optimism, with Germany reporting better-than-expected economic growth for the second quarter and the European Union's statistics agency raising its growth estimate for the bloc.

In Asia, Chinese markets were an exception to the generally buoyant mood after data showed fixed-asset investment slowing to a nearly two-decade low for the first seven months of the year. Retail sales and value-added industrial output also fell below expectations.

The Shanghai Composite Index slipped 0.2%, and Hong Kong's Hang Seng fell 0.7%. Elsewhere in Asia, Japan's Nikkei Stock Average rose 2.3%, more than retracing Monday's losses, and South Korea's Kospi added 0.5%.

The WSJ Dollar Index, which measures the U.S. currency against a basket of 16 others, was little changed, falling less than 0.1%.

Elsewhere, yields on 10-year U.S. Treasurys rose to 2.893% from 2.877% Tuesday. Yields move inversely to prices.

In commodities, U.S. crude oil slipped 0.2% to $67.04 a barrel, and gold edged up 0.1% to $1,193.00 an ounce.

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THE WALL STREET JOURNAL.

Markets

Nasdaq Crosses 8000 Threshold for First Time; Announcement on bilateral pact for Nafta helps calm investor concerns about trade fights

By Donato Paolo Mancini and Gunjan Banerji
590 words
27 August 2018
05:56 PM
The Wall Street Journal Online
WSJO
English

Corrections & Amplifications

The lira traded 2.6% lower at 6.16 against the U.S. dollar. A previous version of this article incorrectly stated that the lira moved higher. (Aug. 27, 2018)

Major U.S. stock indexes vaulted to fresh records as trade tensions calmed, sending the **Nasdaq Composite** past the 8000 mark for the first time.

Stocks extended early gains after President Trump announced Monday that his administration reached a trade deal with Mexico, moving closer to a new pact on the North America Free Trade Agreement. Stocks rallied as investors flocked to riskier assets and sold government bonds.

The development was an encouraging sign for investors after weeks of trade jitters, some analysts said.

"That eliminates one trade risk that's been lingering in the background," said Jason Draho, head of asset allocation for UBS Global Wealth Management.

The **Nasdaq Composite** jumped 71.92 points, or 0.9%, to 8107.90, zipping past the 8000 threshold. The tech-heavy index has soared 16% this year, outpacing the **S&P 500**'s gain, as investors have plowed into shares of tech giants like Facebook and Apple.

The **S&P 500** rose 22.05 points, or 0.8% to 2896.74, a new high.The **Dow Jones Industrial Average** climbed 259.29 points, or 1%, to 26049.64. The Russell 2000 index also finished at a record.

Shares of automobile makers—whose sector has been among the most contentious aspects of the negotiations—lurched higher on news of the trade deal and as President Trump hinted at tariffs on auto imports from Canada, among other measures.

Ford Motor stock added 31 cents, or 3.2%, to $9.99. General Motors gained 1.74, or 4.8%, to 37.69.

But Tesla Inc. shares fell 3.55, or 1.1%, to 319.27 after Chief Executive Elon Musk said late Friday that he had given up on taking the company private, just weeks after first floating the idea.

Robust economic data has raised investors' confidence in U.S. investments. This week, analysts will be tracking the Commerce Department's second estimate of second-quarter U.S. growth, after data last month showed the U.S. economy was expanding at its fastest clip in almost four years.

Federal Reserve Chairman Jerome Powell largely reassured investors last week that the central bank will adhere to a gradual pace of interest-rate increases, buoying equities.

Shares of financial companies in the **S&P 500** were among the biggest gainers on Monday as Treasury prices fell, pushing yields higher. The **S&P 500**'s financial sector added 1.3%. The yield on the benchmark 10-year U.S. Treasury rose to 2.848% from 2.826% on Friday.

Elsewhere, Asian stocks moved higher. The Nikkei index rose 0.9%. The Shanghai Composite added 1.9% after the People's Bank of China decided to stabilize sharp moves in the yuan, giving the central bank more control over the currency.

While U.S.-Mexico trade talks left investors optimistic on Monday, continued back-and-forth with China remains a risk to markets, analysts said. Additionally, U.S. stock markets are about to enter some of the most turbulent months historically.

"I don't think we're going to go straight up from here," said Scott Wren, a senior global equity strategist for Wells Fargo Investment Institute. "It wouldn't surprise me if we backed off this a little bit."

Mike Bird, Akane Otani and Donato Paolo Mancini contributed to this article.

Write to Gunjan Banerji at Gunjan.Banerji@wsj.com

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The New York Times

U.S.; Politics
Trump Hits Turkey When It's Down, Doubling Tariffs

By Jim Tankersley, Ana Swanson and Matt Phillips
1,542 words
10 August 2018
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English

WASHINGTON — President Trump said on Friday that he would double the rate of tariffs on steel and aluminum imports from Turkey, inflicting additional pain on President Recep Tayyip Erdogan, whose country is in the midst of an economic crisis.

Mr. Trump's abrupt and unilateral action came amid worsening relations with Turkey, which has continued to detain an American pastor on espionage charges despite the United States' insistence that he be released.

In a Twitter post on Friday morning, Mr. Trump said the United States would bump Turkey's aluminum tariffs to 20 percent and steel tariffs to 50 percent and cited the country's deteriorating currency, the Turkish lira. "Our relations with Turkey are not good at this time!" he said.

While Mr. Trump's decision is primarily aimed at punishing Turkey over its failure to return the American pastor, Andrew Brunson, the decision spooked markets and raised the possibility that he could similarly raise tariff rates on other trading partners that have seen their currencies fall against the strengthening dollar, most notably China. Mr. Trump has already threatened to increase tariff rates on $200 billion worth of Chinese goods to 25 percent from 10 percent, in part because of sharp decline in its currency.

The **Standard & Poor**'**s 500**-**stockindex** fell 0.7 percent. The dollar, as measured by the ICE U.S. dollar index, was up more than 0.8 percent, a relatively large move for the currency. Investors flocked to the safety of American government bonds, pushing yields lower. The yield on the **10**-**year Treasury** note fell to 2.87 percent, a sign that jittery investors were hungry for secure places to park their money.

Mr. Trump's mention of the currency suggested he is concerned that a rapid depreciation in Turkey's currency has essentially mitigated the effect of his tariffs. Since a weaker currency makes it less expensive for countries to export their goods, the tariffs carry less punch. By doubling the rate, Mr. Trump's levies will continue to hurt Turkish metal exporters.

Chad Bown, a senior fellow at the Peterson Institute for International Economics, said the president's move sent a "worrisome" signal to the world.

"He is tweeting that when a crisis emerges — which could happen in Turkey — his gut instinct is to exacerbate the problem by imposing more tariffs, instead of stepping in with leadership to help resolve the emergency," Mr. Bown said.

Ruhsar Pekcan, the Turkish minister of trade, said Turkey was "deeply disappointed" by the decision to double the tariffs. "The tariffs were groundless when they were announced in June, and remain so now," Ms. Pekcan said.

"The effects of this ill-advised action by the U.S. Administration will not only impact Turkey, but will prove detrimental to American companies and workers as well," she added.

Turkey ships little aluminum to the United States, but it is America's sixth largest foreign supplier of steel. American companies that source metals from Turkey are bracing for a further impact, after already seeing their prices rise this year as a result of the tariffs.

Joseph Casucci, the chief executive of FJM Ferro Inc, which erects steel columns for large residential and commercial building projects on the East Coast, said he expected the president's decision to further push up the price of steel rebar, of which Turkey is a major supplier. That will put further financial pressure on a range of companies involved in construction, especially mom-and-pop shops that have less ability to stockpile materials, he said. His company has already seen steel costs rise by 35 percent to 50 percent this year.

“I’d love to know when these tariffs are going to subside. That’s the big question in my industry, when does this end?” he asked. “It becomes challenging.”

In his tendency to mix trade goals with other political concerns, Mr. Trump has deviated from decades of government practice. He suggested earlier this year that he might soften his trade approach to China in return for Beijing’s help in dealing with the North Korean regime, and repeatedly tied Mexican trade practices with immigration issues.

Ross Wilson, the former ambassador to Turkey, said that while past administrations had used economic tools to accomplish foreign policy goals, the president’s use of a specific tariff threats was unprecedented.

“It’s difficult to tell from the specific words that came out, but it certainly appears to be a political step taken in response to the continued detention of Andrew Brunson and the president’s irritation with that state of affairs,” Mr. Wilson said.

Earlier this month, the United States hit two top Turkish government officials with sanctions in response to the pastor’s imprisonment. Mr. Brunson, of North Carolina, had been held in a Turkish prison for 21 months and was recently moved to house arrest for health concerns. Turkish officials have accused him of helping out in a failed coup attempt against Mr. Erdogan.

Mr. Trump had thought he and Mr. Erdogan had an agreement that Turkey would release Mr. Brunson in exchange for Israel releasing a Turkish woman accused of funding Hamas. The Turkish woman was released, but Mr. Brunson remains in Turkish custody.

If the doubling of the tariffs was in fact direct retaliation for the treatment of the pastor, Mr. Trump would be undermining the stated rationale of the steel and aluminum tariffs — to protect American metals producers considered vital for national security. That could invite further legal challenges from other countries, who have already brought complaints about the steel and aluminum tariffs to the World Trade Organization.

A White House spokeswoman, Lindsay Walters, said on Friday that the president had authorized the increase in tariffs based on a threat to national security.

But a key Republican ally of Mr. Trump, Senator Lindsey Graham of South Carolina, appeared to attribute the tariff escalation directly to the dispute over the pastor, saying in a tweet:

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Steel industry representatives stood by the president, saying that the drop in the Turkish currency would have given the country an advantage over other steel producers and reduced the effectiveness of his trade measure.

“There are limits, of course, but exchange rates and tariff level revisions must be considered to sustain the level of relief provided to America’s steelmakers on the basis of national security concerns,” said Scott Paul, the president of the Alliance for American Manufacturing, which represents steel companies and steel workers. “That’s well within the administration’s authority.”

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But the plunge in Turkey’s currency has been triggered by markets, rather than the intervention of politicians seeking to artificially hold their currency down. The lira has fallen more than 40 percent against the dollar this year, as investors’ fears rapidly escalated that the country would not be able to pay its debts.

Eswar Prasad, an economist at Cornell University, said the use of tariffs in this scenario set “a worrying precedent for future trade sanctions that could be triggered by purely market-driven changes in exchange rates.”

“It could serve as a template for further tariff actions against China if the renminbi depreciates further relative to the dollar, even if that depreciation were mainly a reflection of the relative strength of the U.S. and Chinese economies,” Mr. Prasad said.

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Stock markets in the country dropped by more than 2 percent on Friday. Prices for Turkish government bonds fell, pushing interest rates sharply higher. The yield on the 3-year lira-denominated Turkish government bond has risen to more than 23 percent in recent days. At the start of the year, the bond was yielding around 10 percent, according to Bloomberg data.

Matt Phillips reported from New York. Eileen Sullivan contributed reporting from Washington.

* Tensions Between Turkey and U.S. Soar as Trump Orders New Sanctions

* U.S. Imposes Sanctions on Turkish Officials Over Detained American Pastor

* Chinese Goods May Face 25% Tariffs, Not 10%, as Trump's Anger Grows

A roll of steel is moved at the Borusan Mannesmann Pipe U.S. manufacturing center in Baytown, Tex. | David J. Phillip/Associated Press

Document NYTFEED020180810ee8a003jt

The New York Times

Foreign Desk; SECTA
Trump Hits Turkey Hard, Doubling Metal Tariffs

By JIM TANKERSLEY, ANA SWANSON and MATT PHILLIPS; Matt Phillips reported from New York. Eileen Sullivan contributed reporting from Washington.
1,506 words
11 August 2018
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Rolls of steel in Baytown, Tex., at the American manufacturing center for the Turkish company Borusan Mannesmann Pipe. (PHOTOGRAPH BY DAVID J. PHILLIP/ASSOCIATED PRESS)

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THE WALL STREET JOURNAL.
U.S. EDITION

Semiconductors Get Their Mojo Back

By Amrith Ramkumar
727 words
29 August 2018
The Wall Street Journal
J
B14
English

A scorching run by two of the best-performing stocks in recent years has buoyed the broader market, helping the technology-heavy **Nasdaq Composite** climb to records and cross 8000 for the first time on Monday.

Advanced Micro Devices Inc. surged 28% in the six sessions through Monday, while Nvidia Corp. jumped 13%, extending gains for this year. Both stocks edged lower on Tuesday, but their recent rally has helped lift the technology sector by showing strength outside such stalwarts as Apple Inc. and Google parent Alphabet Inc.

Earlier this year, semiconductor shares were caught in the crosshairs of escalating China-U.S. trade tensions. Trade between the world's two biggest economies is crucial to the chip-making business. The strife led to **volatility** in the sector after the PHLX Semiconductor Index hit a record in March.

But more recently, investors have been encouraged by the plans laid out by China and the U.S. to resolve their spat. The PHLX index has risen in six straight sessions through Tuesday.

That is a sign of market strength, analysts say, because chip stocks often lead the broader market on the way up and the way down.

Investors' faith in these companies can indicate confidence in the economy since their products are used in several hot areas of growth: data centers, gaming and artificial intelligence.

"When things calm down a little bit, they tend to rebound a lot further," said Mohit Bajaj, director of ETF trading solutions at WallachBeth Capital.

AMD is the **S&P 500**'s best-performing stock this year, with a gain of 144%. The company also has gotten a lift from **bullish** projections for data-center revenue and expectations that it will take server market share from rivals such as Intel Corp. It reported last month that quarterly revenue rose more than 50% from a year earlier in the most recent period.

While weak revenue projections from cryptocurrency mining earlier this month caused Nvidia's shares to slide after its most recent quarterly results, the company's latest gaming chips have since boosted sentiment.

It still said overall quarterly sales climbed 40% and that growth in gaming revenue topped 50%, and Wall Street analysts expect the rise to continue.

The PHLX Semiconductor Index has rocketed 111% higher since the start of 2016. Meanwhile, the **S&P 500** technology sector is up 82%, and the **S&P 500** has climbed 42% in that span. While **volatile** stock swings can make it hard to determine exactly why AMD and Nvidia rise on a day-to-day basis, analysts say outsize moves can affect sentiment and the broader PHLX index.

"If they're ripping higher, it's going to push the index up," said Stacy Rasgon, an analyst at Bernstein Research.

A further rally in semiconductor stocks could buoy a tech sector that is facing uncertainty.

Some investors worry that gains are too concentrated in the largest technology and internet firms, and Facebook Inc. and Alphabet are due to leave the **S&P 500**'s technology group next month for a newly created sector of so-called communication-services companies.

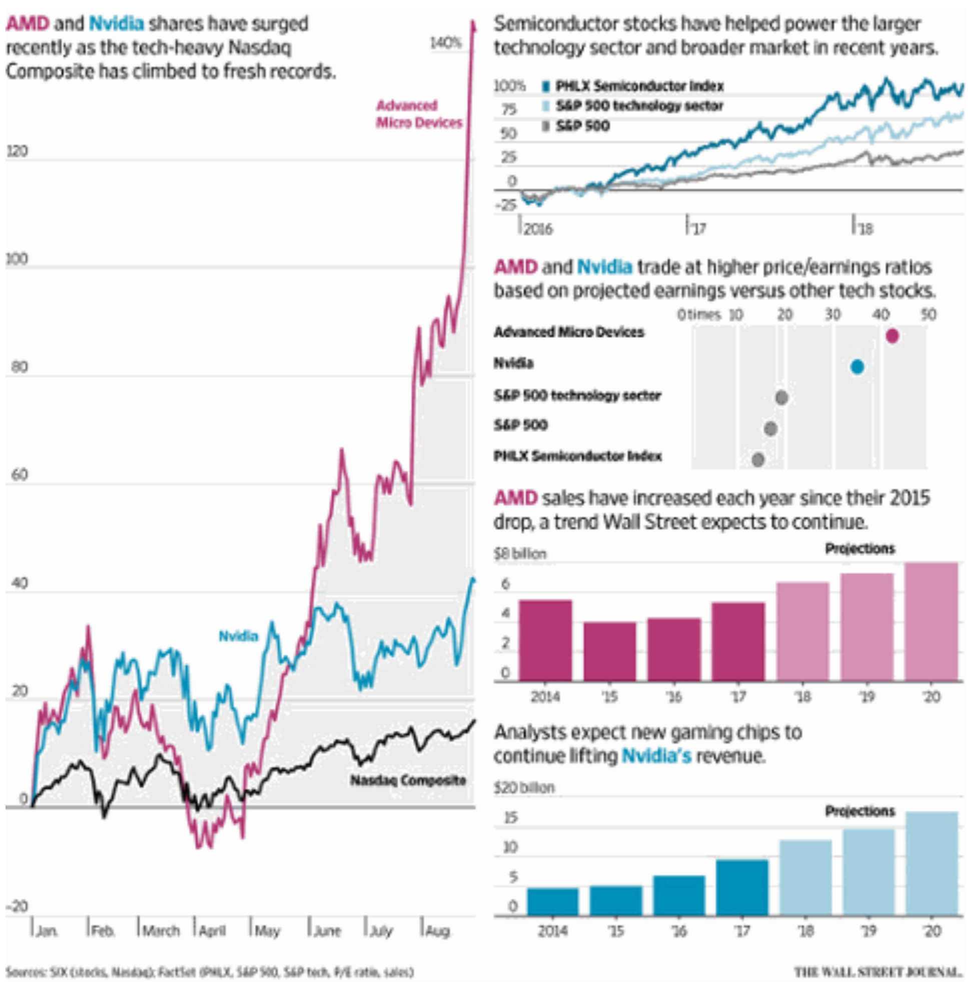
But some analysts are skeptical the recent climb will continue. Some think AMD's rapid rise in recent sessions was driven by a so-called short squeeze, which occurs when investors betting that a stock will fall have borrowed shares hoping to buy them back at a cheaper price to score profits. If the stock rises, however, those investors often respond by buying back stock they have previously sold to minimize losses.

More than 15% of AMD shares outstanding are shorted, and its rally this year has cost investors betting against the stock more than $2 billion, according to S3 Partners, a financial technology and analytics firm.

AMD and Nvidia also look pricey to some investors. The stocks currently both trade at more than 35 times projected earnings for the next 12 months, compared with 17 times for the **S&P 500** and 14 times for the PHLX Semiconductor Index.

Some investors also expect further complications to global trade negotiations ahead of November meetings between President Trump and Chinese counterpart Xi Jinping, which could spur more **volatility**.

"These stocks do whipsaw a little bit," Mr. Bajaj said. "It goes both ways."



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THE WALL STREET JOURNAL.

Markets

Nasdaq Hits New Record as It Passes 8000 Mark; The surge underscores how tech shares like Netflix and Amazon have powered the U.S. stock market this year

By Akane Otani
487 words
27 August 2018
05:33 PM
The Wall Street Journal Online
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English

The **Nasdaq Composite** index vaulted above 8000 for the first time Monday, underscoring the dominant role megacap technology shares have played in propelling the U.S. **stock market** past its global peers this year.

It took the index just short of eight months to climb a thousand points after crossing 7000 in January—a pace unmatched since around the height of the dot-com era, when the **Nasdaq** jumped from 4000 to 5000 in just 49 trading days.

Before Monday, the last time the **Nasdaq** had crossed two thousand-point milestones in a single year was 1999, when a fervor for tech stocks sent a score of dot-com ventures surging higher before a precipitous crash.

Nearly two decades later, technology stocks are surging again, with online-streaming giant Netflix Inc. soaring 90% this year, Amazon.com Inc. climbing 65%, Microsoft Corp. advancing 28% and Google parent Alphabet Inc. rising 19%.

Yet while investors have drawn plenty of parallels between the tech rally of the '90s and now, many are reluctant to call it quits on the technology sector.

Corporate earnings are growing at the fastest pace in years. Many of the technology titans, including Amazon.com and Microsoft, have upended investors' expectations this year and continued to post soaring profits.

More broadly, the U.S. economy looks strong, a factor that has propelled not just the tech-heavy **Nasdaq** but the **S&P 500**, the Russell 2000 index of small-capitalization companies and the Dow Jones Transportation Average to new records this month.

The broad gains, as well as a more upbeat economic outlook, are helping investors justify the tech sector's rich valuations for now—even as some have grown increasingly nervous that the group could be overdue for a pullback. Monday's news that the U.S. and Mexico had reached a trade agreement after months of protracted negotiation also helped send stocks broadly higher.

The **Nasdaq** rose 72 points, or 0.9%, to 8017.90 Monday, notching its 27th record close of the year.

With its 16% gain in 2018, the **Nasdaq** has nearly doubled the **S&P 500**'s advance. If it holds its lead through the end of the year, it will have outperformed the broad index for the eighth year in 10, a reflection of investors' growing appetite for tech stocks throughout the latest leg of the **bull market**.

Yet the **Nasdaq**'s milestone is far from its biggest, mathematically speaking. The index had to climb 100% to get from 1000 to 2000 in 1998, 50% to get to 3000 in 1999 and 33% to hit 4000 the same year. Its latest thousand-point advance required a relatively diminutive 14% gain.

Write to Akane Otani at akane.otani@wsj.com

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THE WALL STREET JOURNAL.
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Funds Dodge Recent Tech Declines

By Danielle Chemtob
846 words
8 August 2018
The Wall Street Journal
J
B1
English

There's a silver lining when the most popular technology stocks stumble: many large-cap mutual funds beat the market.

Those funds have fared better than the **S&P 500** on most days when one or more of the FANG stocks -- the collective name for Facebook Inc., Amazon.com Inc., Netflix Inc. and Google parent Alphabet Inc. -- has declined by 5% or more, according to a Goldman Sachs analysis.

That's because the average large-cap mutual fund is underweight three of the four FANG stocks, Goldman says. Those stocks have propelled much of the U.S. **stock market**'s gains this year, but the bank's research suggests mutual funds are growing more skeptical of the crowded trade, as The Wall Street Journal's Markets newsletter noted Tuesday.

The average large-cap mutual fund holds 1.3% of its portfolio in Facebook, 0.2 percentage points less than its benchmark; 2% in Amazon, compared with the benchmark's 2.4%; and 0.3% in Netflix, versus the benchmark's 0.5%. The funds are overweight only in Alphabet, by 0.19 percentage points.

Those slim allocations helped shield the funds from the recent losses suffered by Facebook and Netflix that bled over into the broader tech sector and **S&P 500**.

Large-cap growth funds have outperformed the broad **stock market** index over the past month and year to date, rising 3.9% and 11% over those periods, according to Morningstar. That's versus gains of 3.3% and 6.6%, respectively, for the **S&P 500**.

Facebook shares slumped 19% on July 26, losing $119.1 billion in market value, after the social media giant warned of slowing growth on its earnings call. That followed a 5.2% decline in Netflix shares on July 17, the day after the streaming video company reported weaker-than-expected subscriber growth.

Netflix shares have continued their slump, bringing their losses for the past month to 14%, while Facebook has recovered some of its losses and is down 8.6%.

"There's definitely a feeling that it might be a decent time to take profits and take some of that trade off the table," said Phil Bak, chief executive of Exponential ETFs.

Mutual funds, particularly growth-oriented funds, have reduced their exposure to the FANG stocks in recent years, according to Goldman.

They first dramatically cut their positions in the fourth quarter of 2016 after Facebook shares lost more than 10% of their value in the wake of scrutiny following the 2016 election, a period when the **S&P 500** surged. And the funds have generally continued trimming their holdings since then.

Mark Stoeckle, senior portfolio manager of Adams Diversified Equity Fund, said his fund cut its holdings in Facebook this spring shortly before Chief Executive Mark Zuckerberg's testimony before Congress and the European Union's privacy law went into effect.

"For us, it was managing risk relative to an unknown," he said.

Brian Milligan, portfolio manager of the Ave Maria Growth Fund, said his fund has never owned any of the FANG stocks -- he says there are inefficiencies in the business models of Facebook and Netflix and not enough information about Amazon to properly value the company.

"If you don't know why you own it from a fundamental standpoint, how do you know what to do when it starts going down?" he said.

Despite their recent slide -- one FANG index is down 4% since early July -- the shares are still relatively expensive compared with the **S&P 500**.

The cheapest among the group are shares of Facebook, which trades at a forward price-to-earnings ratio of 23.7, versus 16.7 for the **S&P 500**. Alphabet trades at 27.3, while Amazon and Netflix are at 85.4 and 94.8, respectively.

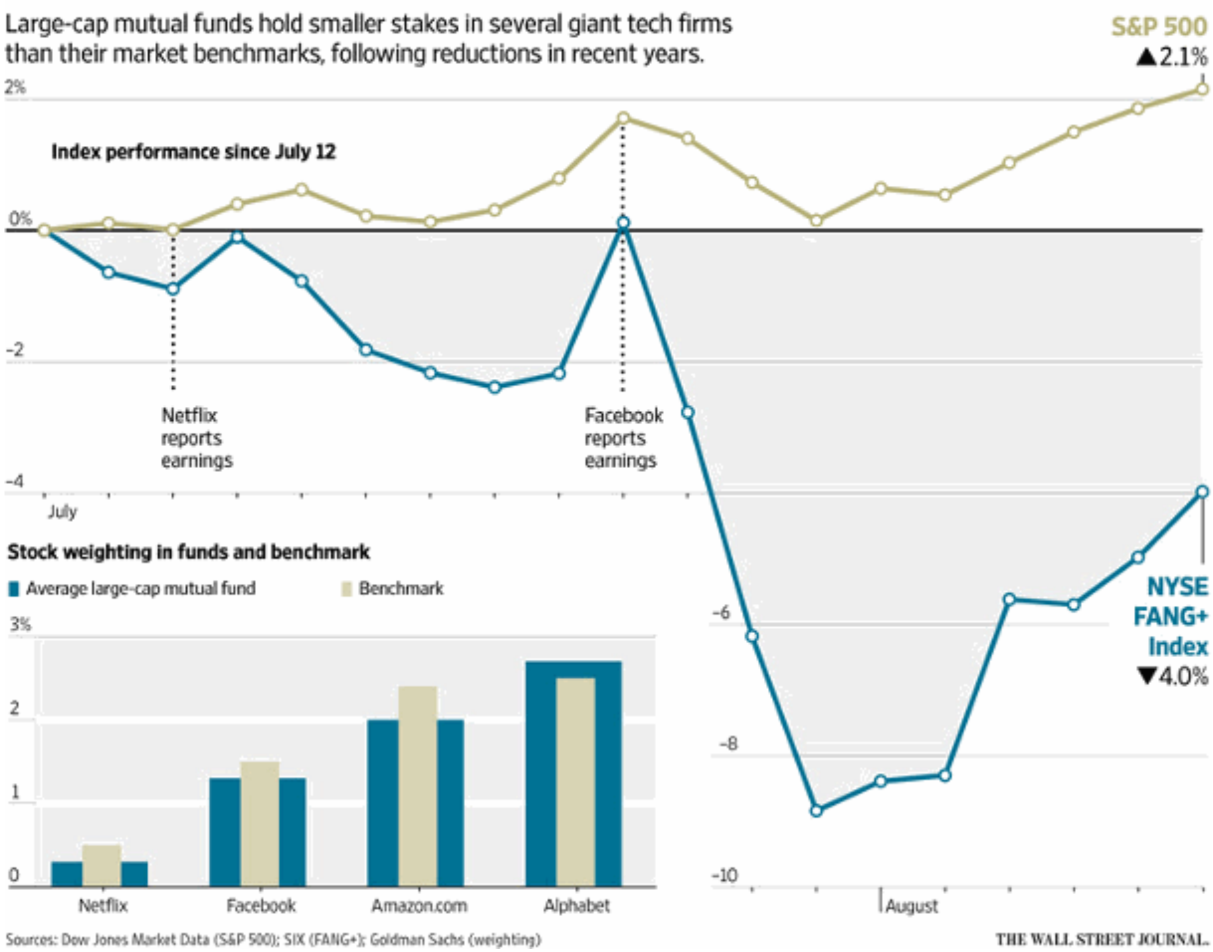
"At the type of valuations that the FANG stocks trade at, its hard to rationalize trading them," said Mark DeVaul, equity portfolio manager of the Hennessy Equity and Income Fund, which owns shares of Alphabet but none of the other FANG names.

To be sure, the funds that passed on the stocks have missed out on significant gains. Despite their recent losses, shares of Netflix have soared 83% in 2018, while Amazon has gained 58% and Alphabet has risen 17%. Facebook is up a more modest 5.2%.

"If you didn't own some of these stocks last year, it was really hard to outperform," Mr. Stoeckle said. His fund is still overweight all of the FANG stocks, except for Netflix.

But as the **bull market** continues in its ninth year, some fund managers are wary that slowing growth will leave the big technology names particularly vulnerable.

"When you get into a market where multiples are starting to compress, the stocks that led in the past will often become laggards," Mr. DeVaul said. "At these types of valuations, [FANG stocks] just don't offer the downside protection you would need in that type of market."



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THE WALL STREET JOURNAL.

Markets

With Turkish Surprise, Markets Wobble—and Continue August Tradition; An usually calm summer month also has a habit of being upended by dramatic events, and it happened again

By Ben Eisen
563 words
10 August 2018
06:26 PM
The Wall Street Journal Online
WSJO
English

August is turning **volatile** for stocks, continuing a tradition of market turbulence during the dog days of summer.

The latest moves were caused by a sharp slide in the Turkish lira. But in recent years, **volatility** has tended to hit U.S. stocks at the height of vacation season. Since 1950, August has had the second worst monthly performance behind September, according to LPL Financial. Over the past two decades, the index has fallen 1% on average in August, giving it the worst monthly performance.

In 2015, fears about China's weakening currency spread around the world, hammering the U.S. market. The Dow industrials briefly sank more than 1,000 points in the first six minutes of trading on Aug. 24, at the time the largest-ever intraday point decline.

In August of 2011, markets recoiled after S&P downgraded the U.S. credit rating. In 1998, the hedge fund Long-Term Capital Management blew up. In 1990, Iraq invaded Kuwait.

Such events inject **volatility** into the stock markets at a time when trading volume is light because traders and investors are away from their desks. On Thursday, U.S. composite **stock market** volume was the lowest since mid-July, and the 15th smallest of the year. On Friday, composite trading volume was higher, though still below the year's average.

"These events catch us off guard because a lot of people are on vacation and you think it's calm but then it's not," said Ryan Detrick, senior market strategist at LPL Financial.

All told, when the market falls in August, it has averaged a loss of 4.5%, the worst average among the 12 months, according to LPL Financial. Friday's losses pared the **S&P 500**'s rise in August to 0.6%.

The moves disrupted a stretch of calm during the height of summer vacation season. Tuesday and Wednesday had featured the **S&P 500**'s smallest two-day swing of 2018 between intraday highs and lows, according to Dow Jones Market Data. Wednesday and Thursday had the second-smallest swing. Until Friday, it had been eight sessions since the index had a one-day move up or down of greater than 0.5%.

To be sure, the outlook isn't purely negative. The market has had a strong three-month stretch, with the **S&P 500** rising 4.1%. The index still sits just 1.4% from its record high in January, and little suggests an immediate return to the extreme **volatility** of earlier this year.

The events unfolding in Turkey, though boding poorly for that nation's financial health, aren't expected to have a continued heavy impact on U.S. markets. Still, various potential market threats could continue to inject **volatility** into stocks, from the escalating trade dispute between the U.S. and China to the growing risks for tech giants that have underpinned the index's rise.

All of this comes at a time when the **S&P 500** is trading at a higher price relative to recent earnings than its historical average. That's left markets exposed to sudden shocks.

Write to Ben Eisen at ben.eisen@wsj.com

Document WSJO000020180810ee8a00231

The New York Times

Business Day; DealBook
Elon Musk Is Beating Short-Sellers, for Now

By Stephen Grocer
625 words
9 August 2018
05:59 PM
NYTimes.com Feed
NYTFEED
English

For now, Elon Musk, Tesla's chief executive, remains up in his public fight with those betting on a fall in the electric-car maker's shares.

But the company's doubters remain undeterred.

On Tuesday, Tesla's shares jumped 11 percent after Mr. Musk tweeted he was considering taking the company private at a **stock price** of $420. Those wagering against Tesla's shares finished the day with a loss of $1.3 billion, and for the month, their losses had reached nearly $3 billion, according to S3 Partners, a financial technology and analytics firm.

The investors betting against Tesla's shares are known as short-sellers. They borrow shares, then sell them in the hopes of buying them back later at a lower price and profiting on the difference. But if the share price goes up, those investors may face steep losses.

News that Mr. Musk is considering taking his company private has not seemed to weaken the conviction of the investors wagering against the stock. The number of shares shorted has increased slightly in the days since the announcement.

And as doubts about Mr. Musk's plan have grown, Tesla's stock has retreated 7.1 percent from its Tuesday close. That reduced Tuesday's losses by $1 billion.

Tesla is among the most shorted stocks in the **Standard & Poor**'**s 500**-**stockindex**. More than a quarter of Tesla's shares valued at about $13 billion are being shorted.

The large wager appeared to be paying off earlier this year. The introduction of Tesla's Model 3, crucial to the company turning a profit, had been mired in glitches and delays for months. And the company had continued to lose money.

In mid-March, the stock began to plunge. A driver was killed in Mountain View, Calif., that month after a Model X crashed into a concrete highway divider while Autopilot, Tesla's driver-assistance feature, was in use. Days later, Moody's Investors Service downgraded the company's credit rating, concerned that the company was burning through cash. At their low on April 2, the carmaker's shares were off 21 percent for the year.

Mr. Musk has long criticized investors shorting his stock. But as Tesla's woes mounted and bets against its stock jumped, he ratcheted up the feud.

In May, he took to Twitter with a warning for anyone betting against Tesla. "Short burn of the century comin soon," he wrote. "Flamethrowers should arrive just in time."

A little more than a month later, he warned that those betting against Tesla "had three weeks before their short position explodes." More recently, Mr. Musk taunted David Einhorn, whose Greenlight Capital hedge fund has performed poorly this year in part because of its short bet on Tesla.

Since the start of April, Tesla's shares have rebounded 40 percent, costing short-sellers $4.4 billion.

But then betting on Tesla’s shares to fall has proved expensive for several years now. Since 2016, those betting on Tesla’s stock to fall have lost $6.4 billion on as the stock climbed more than 50 percent, according to S3 Partners.

And the pain could get worse. Investors do not appear convinced that Tesla will be taken private. But if a deal seems more likely, Tesla share could rise quickly and force short-sellers to buy the stock in droves to cover their bets. That could push the share prices up even further — an effect known as a “short squeeze.”

That’s something Mr. Musk would no doubt relish.

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The New York Times

Business Day; DealBook
Wall Street Salivates After Elon Musk Floats Taking Tesla Private

By Andrew Ross Sorkin, Jessica Silver-Greenberg, Peter Eavis and Matthew Goldstein
1,034 words
8 August 2018
07:17 PM
NYTimes.com Feed
NYTFEED
English

A day after Elon Musk declared that he might try to convert Tesla into a private company, Wall Street banks raced to figure out how such a transaction might work and how they might get a piece of the action.

Executives at banks including Goldman Sachs and Citigroup are discussing ways a deal could be structured, angling to land the potentially prestigious assignment of taking the maker of electric cars off public markets, according to people familiar with the discussions. Bankers and lawyers on Wall Street said any deal is likely to be valued at $10 billion to $20 billion.

Mr. Musk said on Twitter on Tuesday that he had "funding secured" for a deal to take private the electric-car manufacturer that he founded and now leads.

Some senior executives at top Wall Street banks, including JPMorgan Chase and Citigroup, did not hear about Mr. Musk's idea until his tweet sent Tesla shares soaring shortly after noon on Tuesday, according to people close to the banks. Some bankers grumbled on Wednesday that they had not even been able to get Tesla executives to return their phone calls, much less explain the company's plans.

Some of Tesla's big institutional investors — including Fidelity and Saudi Arabia's Public Investment Fund — also were blindsided by Mr. Musk's comments, according to people close to those companies.

On Wednesday, officials from the San Francisco office of the Securities and Exchange Commission contacted Tesla officials to inquire about Mr. Musk's tweets, according to a person briefed on the inquiry. The S.E.C. officials asked Tesla about the veracity of Mr. Musk's comments and why the company did not make an announcement via a regulatory filing. Tesla shares fell more than 2 percent on Wednesday.

The S.E.C. declined to comment on its inquiry. The Wall Street Journal reported earlier on the inquiry.

A deal to take Tesla private could generate a gusher of fees for Wall Street, and bankers are scrambling to position themselves for an assignment. One way to do that is to come up with possible structures for a deal that they can pitch to Tesla and its advisers.

The traditional way for a publicly traded company to go private is through a leveraged buyout, in which private equity firms or other investors purchase all of the outstanding public shares with money they have borrowed from banks or other sources.

But investment bankers said on Wednesday that a leveraged buyout of Tesla — which in theory could cost as much as $70 billion if all of Tesla's shares were bought at the price of $420 a share that Mr. Musk floated — is likely a nonstarter. The company, which has never turned a profit, is burning through cash so quickly that it would be hard to find banks or bond investors willing to lend tens of billions of dollars to finance a private buyout.

"The numbers don't work as it is," said Ronald A. Kahn, the head of the debt advisory and valuation practice at Chicago-based investment bank Lincoln International. "Why would anyone even give him a few billion more?"

That does not mean, however, that a deal to take Tesla private is off the table.

One structure being studied by banks and Tesla, according to people familiar with the matter, is a transaction that would reduce the number of shareholders to such a degree that Tesla's shares could be delisted from the **Nasdaq** stock exchange and the company no longer would be required to make quarterly filings with the S.E.C.

That would be expensive — it could cost $10 billion to $20 billion — but much less so than a full leveraged buyout, these people said.

How might such a transaction work?

One possibility is a maneuver called "going dark." In this situation, Tesla could buy out many but not all of its shareholders to reduce the total number of investors who hold Tesla stock. One way to make that math work would be to persuade as many small shareholders as possible to sell their holdings.

The largest shareholders of the company — including Mr. Musk, Fidelity, T. Rowe Price and Scotland's Baillie Gifford, who collectively own about 45 percent of Tesla shares — would not need to sell their stakes under that arrangement.

Tesla's shares would no longer be listed on the **Nasdaq**, but investors could buy or sell them on loosely regulated, over-the-counter markets that are typically the domain of small companies. Because shares on these exchanges are generally traded less heavily than those on larger public markets, it would likely be harder for investors to bet against, or short, Tesla's stock, which is one of the rationales Mr. Musk outlined on Tuesday for taking the company private.

There are many potential problems with this approach. For example, institutional and individual investors are likely to object to holding Tesla shares that do not trade on mainstream national exchanges. In addition, index funds that own Tesla stock could probably not hold the shares if they were not part of benchmarks like the **Standard & Poor**'**s 500**-**stockindex**.

Going-dark transactions traditionally have been the province of tiny companies, said Gilbert J. Bradshaw, a New York lawyer who works with small companies and has written about companies going dark.

"I don't know of any large company that has done a voluntary deal like this," he said.

Kate Kelly, Landon Thomas Jr., Matt Phillips, Emily Flitter and Neal E. Boudette contributed to this article.

* Did Elon Musk Violate Securities Laws With Tweet About Taking Tesla Private?

* Elon Musk Says Tesla May Go Private, and Its Stock Soars

* A $70 Billion Deal for Tesla? Elon Musk Faces 2 Huge Questions

A Tesla car in the middle of the production process outside the company's factory in Fremont, Calif. A deal to take Tesla private could generate a gusher of fees for Wall Street, and bankers are scrambling to position themselves for an assignment. | Justin Kaneps for The New York Times

Document NYTFEED020180808ee8800bvt

THE WALL STREET JOURNAL.
U.S. EDITION

EXCHANGE --- Volatility Again Stirs August Market

By Ben Eisen
413 words
11 August 2018
The Wall Street Journal
J
B13
English

August is turning **volatile** for stocks, continuing a tradition of market turbulence during the dog days of summer.

The latest moves were caused by a sharp slide in the Turkish lira. But in recent years, **volatility** has tended to hit U.S. stocks at the height of vacation season. Since 1950, August has had the second-worst monthly performance behind September, according to LPL Financial.

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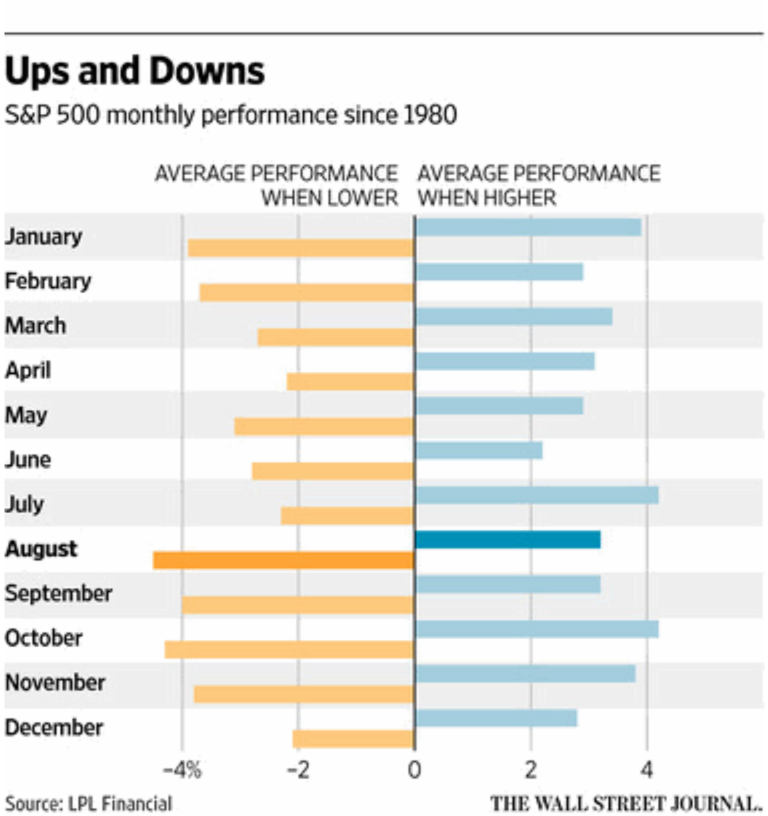
All told, when the market falls in August, it has averaged a loss of 4.5%, the worst average among the 12 months, according to LPL Financial. Friday's losses pared the **S&P 500**'s rise in August to 0.6%.

The moves disrupted a stretch of calm during the height of summer vacation season. Tuesday and Wednesday had featured the **S&P 500**'s smallest two-day swing of 2018 between intraday highs and lows, according to Dow Jones Market Data. Wednesday and Thursday had the second-smallest swing.

To be sure, the outlook isn't purely negative. The market has had a strong three-month stretch, with the **S&P 500** rising 4.1%. The index still sits just 1.4% from its January record, and little suggests an immediate return to the extreme **volatility** of earlier this year.

The events unfolding in Turkey aren't expected to have a continued heavy impact on U.S. markets. Still, various potential market threats could continue to inject **volatility** into stocks.



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International New York Times

business

How Companies Are Making Customers Pay for Trump's Trade War

By PETER EAVIS
705 words
2 August 2018
International New York Times
INHT
English

Get the DealBook newsletter to make sense of major business and policy headlines — and the power-brokers who shape them.

President Trump's trade war is making life uncomfortable for some large American corporations, but they have found a way to reduce the pain: Pass it on to customers.

The Trump administration's tariffs have pushed up the prices of steel and aluminum and have raised costs for companies that make everything from cars and tractors to dishwashers. These companies face a choice. They can bear the higher costs themselves and report weaker profits, which might crater their stocks. Or they can charge more for their products, in effect making their customers bear much of the financial burden of the tariffs, at least for a while.

Many companies are opting for the latter.

As they report second-quarter earnings, they are going out of their way to let their shareholders know that it is customers who are paying.

Caterpillar, while reporting record profits on Monday, predicted that tariffs would add as much $200 million to its costs in the second half of this year. The company added, however, that it would try to partly offset the hit by increasing the prices of its products. Whirlpool, which uses steel and aluminum in its dishwashers and washing machines, said it had hoisted its prices this year. Coca-Cola said last week that it had increased prices in the United States in part because of tariff-related cost increases.

"It's been very hard for companies to pass costs through to prices for many years," said Ed Yardeni, chief investment strategist at Yardeni Research. "The thing about tariffs is that they make a very good excuse: Blame it on Trump."

The impact of the tariffs, and who bears their brunt, could have big implications for the wider economy. The tariffs are raising expenses at a time when companies are paying more for other materials and labor. If most of these costs are passed on to consumers, inflation, already rising after being dormant for years, could accelerate. What is more, since the metals tariffs have been in effect only since the start of June, their full impact has not been felt.

Some companies can't foist higher prices on their customers because of the risk to their sales. General Motors, for instance, slashed its profit forecast last week in part because of higher steel prices.

And telling investors that customers will pay up does not mean they will believe you.

Still, some economists say companies may be able to get away with charging more for a while longer. With the economy buoyant, there may be enough customers who can afford the increases. David Rosenberg, chief economist at Gluskin Sheff, noted that a deeper dig into wage data showed strong rates of growth, and, he added, a recent survey showed that consumers appeared to be stepping up purchases of big-ticket items in anticipation of price increases.

The Federal Reserve is raising interest rates to prevent the economy from overheating. But the tariffs, along with other pressures, could prompt the Fed to tap the brakes more firmly, which could spook the **stock market**.

“We are seeing tariffs adding to classic late-cycle inflation pressures,” Mr. Rosenberg said. “This may force the Fed to do more than the market has priced in.”

Much depends on whether President Trump follows through on his proposed trade policies. To some extent, the strength of corporate earnings has bolstered America’s position in its trade fights. Profit margins for companies in the **Standard & Poor**’**s 500**-**stockindex** are at their highest in many years, in part because of Mr. Trump’s tax cuts, Mr. Yardeni noted. But the longer the trade war drags on, the harder it will be for corporate America’s bottom line to hold up.

“Trump gave companies a record profit margin, and now he might take some of that away,” Mr. Yardeni said.

PHOTO: Caterpillar told investors it would raise prices to partly offset the $200 million that tariffs would add to its costs in the rest of the year. (PHOTOGRAPH BY MIKE BLAKE/REUTERS)

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THE WALL STREET JOURNAL.
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Valuations Slip as Stocks Near Records

By Michael Wursthorn
882 words
10 August 2018
The Wall Street Journal
J
B12
English

Stock-market valuations are lower now than they have been for a while, but that doesn't mean shares are cheap.

Despite another robust corporate earnings season, the **S&P 500** has inched up less than 1.5% over the past three weeks as simmering trade tensions and signs of slowing growth at big technology companies sapped investor confidence.

Those issues have helped drive stock valuations down near their lowest levels of the year, even with the broad **stock-market** index hovering just 0.7% shy of its January high.

The **S&P 500** trades at 18.8 times earnings over the past 12 months, a basement valuation that is lower than the market's February trough, when the index's valuation was around 19 times earnings, according to FactSet. At the **S&P 500**'s peak in January, the index traded at nearly 22 times earnings.

Strong corporate earnings are making stocks look less pricey than they did before. Companies in the **S&P 500** have posted double-digit profit growth for the past three quarters to help earnings catch up with the **S&P 500**'s 6.7% advance this year.

For the latest quarter, profits are on track to register a rise of 25% from a year earlier, one of the fastest rates of earnings growth since 2010, according to FactSet.

But by other measures, stocks still look expensive: The **S&P 500** is currently trading in the 88th percentile of historical valuation, Goldman Sachs said in a recent report, while the median stock is at the 97th percentile.

Stock prices are steep, in part, because of the surge in shares of technology companies.

The popular corner of the market, which has been a big contributor to the run-up in major indexes over the past several years, continues to command big multiples that worry some investors.

"Valuations have gotten more extreme in the last three to five years," said Mike Balkin, a portfolio manager at William Blair. "The FANG stocks have looked especially expensive, but if you didn't own them, your performance suffered," he said, referring to the crowded trade of Facebook Inc., Amazon.com Inc., Netflix Inc. and Google parent Alphabet Inc.

Tech companies in the **S&P 500** are trading at 21 times their earnings over the past 12 months, well above the broader index and most other sectors.

That is partly because investors have sought safety among shares of technology companies, which have contributed to much of the long-running rally, at any sign of trouble in the market this year.

But some analysts warn that higher-valuation stocks tend to struggle over the long term. An analysis of price/earnings ratios found that stocks with richer valuations led to weaker returns over a 10-year stretch, according to Credit Suisse Group AG.

Wall Street's infatuation with technology stocks briefly stalled last month after Facebook and Netflix reported financial results below investors' expectations. Those stocks have stumbled 11% and 17%, respectively, over the past month and trimmed valuations of **S&P 500** tech companies slightly.

Investors are questioning whether those companies and others in the tech sector can continue their heady growth paths unabated. New regulations in Europe and the prospect for tougher oversight in the U.S. have dented performance. Facebook, for example, said its European user base took a hit after a tough new European privacy law went into effect in the second quarter.

"Investors are now asking how long can growth stocks really continue to outperform," said Matt Forester, chief investment officer at BNY Mellon's Lockwood Advisors. "It's reasonable to question whether some of those expectations had been too high."

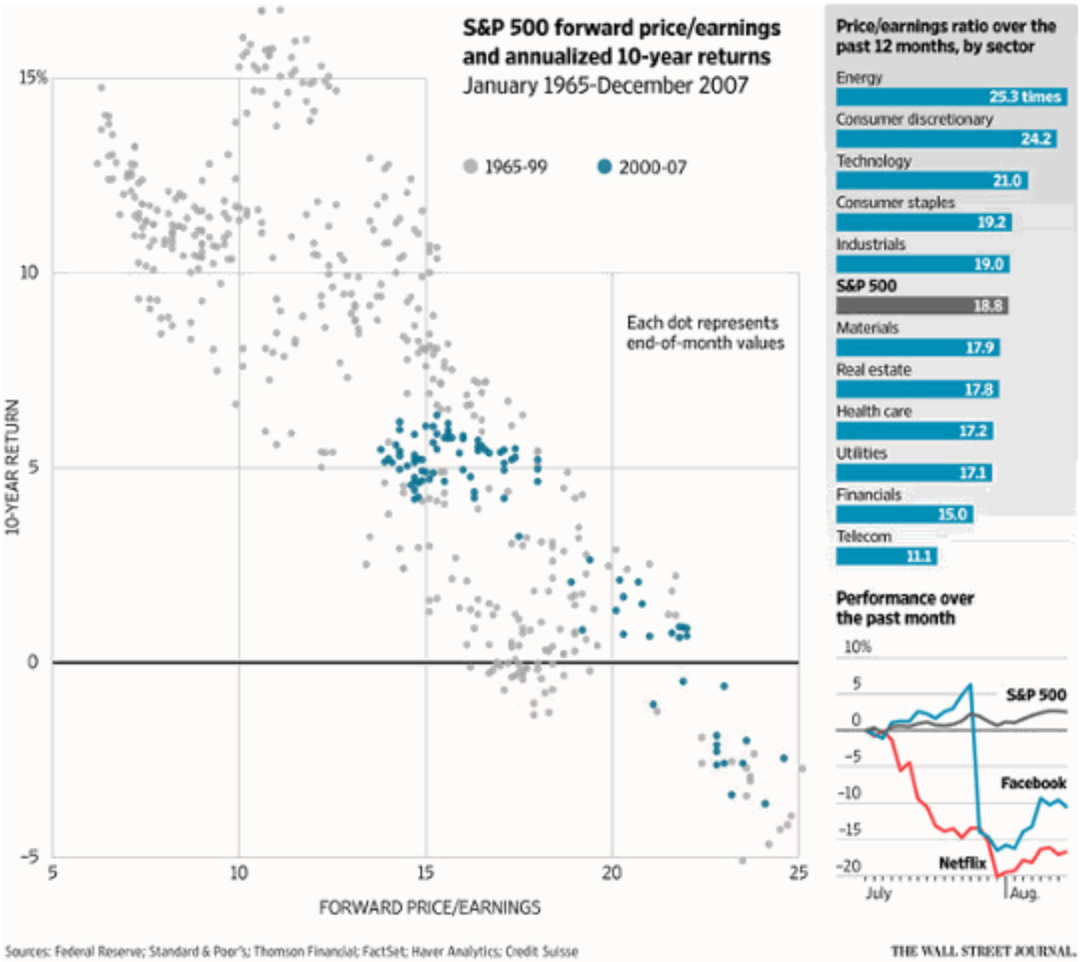
Some money managers are using the weakness among tech companies to urge clients to trim tech-heavy portfolios and put that money into the market's cheaper corners. Wells Fargo Investment Institute, for example, cut its view of tech stocks to "neutral" for the second half of the year and is favoring shares of financial companies.

Inflows into tech-focused funds have slowed this year, so much so that some funds, such as the iShares U.S. Technology exchange-traded fund has lost $350 million this year, according to FactSet.

Some investors have been plowing that money into other assets, such as short-term government bonds, whose yields have jumped to their widest margin against the **S&P 500**'s dividend yield in years, while others have opted for more-defensive footing among equities, such as shares of financial firms, utilities and health-care companies, where valuations are more attractive.

The shifting landscape has led to a rare break in leadership for tech stocks. The health-care and the financial sectors of the **S&P 500**, corners of the market that had been out of favor, are outpacing the tech sector's 6% gain so far this quarter, while industrial stocks aren't far off.

Facebook's earnings spooked investors enough to "begin shifting assets to the more value-oriented areas" of the market, said Robert Pavlik, a senior portfolio manager at SlateStone Wealth, in a recent note to investors. "We believe this is just the beginning foray into these groups."



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THE WALL STREET JOURNAL.

Heard on the Street
Markets
Big Tech's Path to $4 Trillion; Apple's $1 trillion milestone is a harbinger for rising tech giants Amazon, Alphabet and Microsoft

By Dan Gallagher
545 words
6 August 2018
10:55 AM
The Wall Street Journal Online
WSJO
English

Does Big Tech have too much sway in the market? That could soon be a $4 trillion question.

Apple Inc. became the first U.S. company ever to hit $1 trillion in market value on Thursday. The milestone was notable, if seemingly inevitable. Apple has been the world's most valuable public company since 2012, when it was worth about half as much. It is also now nearly 14 times its value compared to when the first iPhone was introduced in early 2007. The **S&P 500** has merely doubled in value over that time.

At $1 trillion, Apple accounts for just under 4% of the **S&P 500**'s total market value. But, while heavy, that sort of weight isn't unheard of. Exxon Mobil accounted for 5% of the index's value 10 years ago, when it ranked as the world's most valuable company, according to senior S&P analyst Howard Silverblatt. Apple's representation isn't even tops for tech. Microsoft was once the world's most valuable public company and accounted for 4.9% of the index at the height of the first tech bubble in 1999. And when IBM was at the peak of its power in the mid-1980s, Big Blue represented more than 6% of the **S&P 500**'s total value.

But the fact that Apple has company gives Big Tech an unprecedented amount of sway. Tech firms now make up five of the 10 most valuable American companies. Three not named Apple now have market values exceeding $800 billion. Amazon.com, Alphabet Inc. and Microsoft—along with Apple and Facebook—together comprise about 16% of the S&P's total value. The last time tech companies made up half of the S&P's top 10 was 1999, when they accounted for just 13% of the index's value.

That is also when America Online was the country's 10th most valuable business, which naturally leads to the question of just how sustainable Big Tech's current market dominance really is. Past isn't always prologue, but the technology landscape tends to shift rapidly and humble even the most powerful players. IBM can attest to that.

Big market corrections also tend to wreak havoc on richly valued tech stocks. The **Nasdaq Composite** plunged 41% in 2008 at the height of the financial crisis. By the end of that year, Microsoft was the only tech company ranked among the **S&P 500**'s top 10.

One important difference now is that the business of today's technology giants stretches well beyond tech. Amazon, whose market value is now less than 12% away from the $1 trillion threshold, now sells everything from washing machines to cutting-edge corporate computing services. Google, less than 16% away, powers much of the world's internet use in a way AOL could only have imagined. And people all over the world now rely on Facebook to remember who their friends and relatives are. Market values rise and fall quickly, but scale tends to stick around longer.

Write to Dan Gallagher at dan.gallagher@wsj.com

Document WSJO000020180803ee830015p

THE WALL STREET JOURNAL.
U.S. EDITION

Nasdaq Soars Past 8000 to Record --- Surge in tech-heavy index, powered by Amazon, Netflix and others, recalls 1990s

By Akane Otani
410 words
28 August 2018
The Wall Street Journal
J
B1
English

The **Nasdaq Composite** vaulted above the 8000 threshold for the first time Monday, underscoring the dominant role megacap technology shares have played in propelling the U.S. **stock market** past its global peers this year.

It took the tech-heavy index just short of eight months to climb a thousand points after crossing 7000 in January. The last time the **Nasdaq** hit two thousand-point milestones in a year was 1999, when dot-com fervor sent tech shares surging before a precipitous crash.

Nearly two decades later, technology stocks are rocketing again, with online-streaming giant Netflix Inc. soaring 90% this year, Amazon.com Inc. climbing 65%, Microsoft Corp. advancing 28% and Google parent Alphabet Inc. rising 19%.

Yet while investors have drawn parallels between the rally of the '90s and now, many are reluctant to call it quits on the tech sector. A number of the technology titans, including Amazon and Microsoft, have upended investors' expectations this year as they continued to post soaring profits.

More broadly, the U.S. economy remains strong, a factor that has propelled not just the **Nasdaq** but the **S&P 500**, the Russell 2000 index of small-capitalization companies and the Dow Jones Transportation Average to records this month.

Those gains, as well as a more upbeat U.S. economic outlook, help investors justify the tech sector's rich valuations for now -- even as some have grown increasingly nervous that the stocks could be overdue for a pullback. Monday's news that the U.S. and Mexico reached a trade agreement after months of negotiations also helped send stocks broadly higher.

The **Nasdaq** rose 71.92 points, or 0.9%, to 8017.90 on Monday, notching its 27th record close of the year.

With its 16% gain in 2018, the **Nasdaq** has nearly doubled the **S&P 500**'s advance. If it holds its lead through the end of the year, it will have outperformed the broader index for the eighth year in 10.

Yet the **Nasdaq**'s milestone is far from its biggest, mathematically speaking. The index had to climb 100% to get from 1000 to 2000 in 1998, 50% to get to 3000 in 1999 and 33% to hit 4000 the same year. Its latest thousand-point advance required a relatively diminutive 14% gain.

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THE WALL STREET JOURNAL.
U.S. EDITION

Treasury Rally Burns Wall Street --- Record number of hedge funds and speculative investors bet on lower prices

By Daniel Kruger
669 words
23 August 2018
The Wall Street Journal
J
B1
English

Corrections & Amplifications

An investor taking a short position in Treasury bond futures sells a contract, intending to profit by buying it back later at a lower price. A Business & Finance article Thursday incorrectly said investors borrow securities and sell them, planning to repurchase them later at a lower price, which is the procedure for selling short a security rather than a futures contract.

(WSJ Aug. 25, 2018)

(END)

A robust August rally in the Treasury market is foiling one of Wall Street's most popular trades, a bet that solid U.S. economic growth, rising inflation and eroding government finances will compel global investors to sell bonds.

A record number of hedge funds and other speculative investors are betting on lower U.S. government**bond prices** and higher yields, in part because the math behind such a wager appears too good to pass up.

The bets on lower prices, or "shorts" in traders' parlance, however, have been squeezed by this month's price rise in Treasurys, which has pushed the yield on the 10-year note to 2.83%. That's well below the 3% level that many investors have viewed as the current floor for a rate that stands at the center of **financial markets** and factors into trillions of dollars in outstanding mortgages and other loans.

The move has hurt investors who bet on a bond-price decline. Many have been doing so based in large part on a U.S. economy that grew at a 4.1% pace in the second quarter, its fastest pace since 2014. The unemployment rate is at 4%, its lowest in decades. U.S. tax cuts have lifted corporate profits, potentially further boosting activity and increasing the government's borrowing needs. The **S&P 500** on Wednesday entered its longest-ever **bull market**, a day after setting its first new intraday high since January.

As of last week, speculators had a record net short position of 698,194 Treasury futures contracts, according to the most recent data available from the Commodity Futures Trading Commission. That is up from a net short of 75,840 on Jan. 2. Short sellers borrow securities and sell them, planning to profitably repurchase and return them at a lower price later.

Predictions that bond yields should rise have found favor Goldman Sachs Group economists, DoubleLine Chief Executive Jeffrey Gundlach and James Dimon, CEO of JPMorgan Chase & Co., who said 10-year yields could reach 5%.

"We see the ingredients across the board for general upward pressure on yields," said Bill Merz, head of fixed-income research at U.S. Bank Wealth Management, whose firm isn't betting that Treasury prices will fall.

The recent decline in yields also defies the Federal Reserve's tightening campaign, which is pushing up the rate on shorter-term bonds. Together, the long-term Treasury rally and the Fed's rate increases have narrowed the spread between short- and long-term debt to its lowest level in years, raising concern among economists about the prospect for an economic slowdown.

So far, there is no reason to doubt that the U.S. economy will continue growing some nine years into a tepid but steady expansion. Instead, investors and portfolio managers said, this month's decline in 10-year yields stems from a host of factors.

They cite the Fed's determination to raise interest rates even in the face of inflation that, while recently at the highest in six years, remains low historically and relative to joblessness. Also at play: the risk that escalating trade spats between the U.S. and its major trading partners could curb exports and reduce consumption, as tariffs lift prices of imported goods.

And, in a typical bit of **financial markets** justice, the size of the short position likely is itself contributing to the Treasury rally, as those who had wagered prices would fall respond to bad news by closing out bets -- a decision that forces them to buy the securities they were betting against.

"It's definitely been a factor," said Wan-Chong Kung, a bond fund manager at Nuveen Asset Management.

Some of the speculative short bets may reflect investors hedging other positions or may be parts of multifaceted trades involving other securities, analysts cautioned.

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THE WALL STREET JOURNAL.

Markets

U.S. Policy Stirs Foreign Markets; Investors' allocations to U.S. stocks and bonds have climbed as White House moves intensified volatility in overseas markets

By Riva Gold
860 words
15 August 2018
11:12 AM
The Wall Street Journal Online
WSJO
English

U.S. foreign policy has driven sharp swings in global markets this summer, drawing investors into the relative safety of the U.S. where growth and earnings are considered steadier.

The White House's recent actions on trade and international sanctions have amplified steep declines across markets in Turkey, Russia and China at a time emerging economies were already grappling with a stronger dollar and decelerating global growth.

In recent weeks, U.S. stocks have beaten foreign stocks in part as investors seek a more stable market during the rocky period, analysts say. Strong U.S. economic and earnings growth has helped.

Despite declines early Wednesday, the **S&P 500** has risen 3% this quarter and is trading within roughly 2% of its all time high, while the MSCI AC World ex-USA Index has fallen around 2.8% this quarter and is down around 8% for the year so far.

"Whether it's sanctions, tariffs or central-bank policy…it seems the U.S. **equity market** reacts quite calmly, and most of the action is happening outside the United States," said Ed Keon, Newark, N.J.-based chief investment strategist at QMA, a unit of Prudential Financial.

Fund investors have pushed their allocations of U.S. stocks and bonds near postelection highs, according to data from the Institute of International Finance.

The U.S. has also regained its crown as the most favored region for stocks for the first time in five years, according to fund managers surveyed by Bank of America Merrill Lynch.

The flip side: Such positioning means foreign markets could be poised to catch up should tensions ease or U.S. growth falter.

An example from the recent past of U.S. policy pushing overseas markets around, but then later seeing a big reversal: the Mexican peso. It quickly rebounded from steep falls triggered by uncertainty over U.S.-Mexican trade, jumping 27% against the dollar between January and July of 2017.

Still, Turkey's recent currency-market crash has illustrated the U.S.'s contributions to **volatility** in overseas assets, at least in the short-term.

The Turkish lira sank to a record low, driven in part by a dispute with the U.S. over the detention of an American pastor. The country—already hit by unorthodox economic policies by Turkey President Recep Tayyip Erdogan, accelerating inflation and high external debt—saw its currency fall further after President Trump's announcement on Friday doubling steel tariffs on Turkey.

Other markets have been caught in the crossfire of U.S. policy this summer.

The price of oil has seesawed after President Trump in May pulled the U.S. out of a 2015 international agreement to curb Iran's nuclear program and put sanctions in motion last week.

The Russian ruble has fallen roughly 4% and Russian stocks have skidded since the U.S. last week announced new sanctions on Moscow over a nerve-agent attack on a former Russian spy and his daughter and threatened to follow through with a second round.

In China, the Shanghai Composite Index has continued to slide into the third quarter after falling into a **bear market** earlier this summer, hit in part by the potential for punitive U.S. trade policies. A locally driven economic slowdown is also at play.

Europe, closely tied to both the U.S. and emerging markets for trade, has suffered, too, with the Stoxx Europe 600 down 2% for the year and the auto sector, the target of threatened tariffs, among the biggest decliners.

Others have felt an impact from Turkey. The Indian rupee fell to an all-time low Tuesday and the Indonesian rupiah and Thai baht were down for the quarter amid news that the three countries were also put on notice they could lose some duty-free privileges.

"A combination of trade [tensions] and sanctions is a very difficult environment for emerging markets," said Larry Hatheway, chief economist and head of investment solutions at GAM Holding.

If growth picked up or there were relief on trade questions, emerging-market assets "would be our first port of call, but it's on hold at the moment," Mr. Hatheway said.

There is also a question of blowback. The strengthening greenback could leave U.S. multinationals vulnerable to a decline in earnings should the dollar continue to strengthen.

The ICE Dollar Index has risen to its highest in about a year, climbing roughly 2% this quarter and 5% this year as the Federal Reserve continues to raise interest rates.

Meanwhile, the impact of tightening U.S. monetary policy and the strengthening dollar on emerging markets may be greatly amplifying the market's reaction to political uncertainty.

"The tide of liquidity has started to ebb away, and that itself creates conditions in which triggers which previously were being looked through are having a much more meaningful impact," said James Athey, senior investment manager at Aberdeen Standard Investments.

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THE WALL STREET JOURNAL.

Business

Gasoline Makers Are Reaping Big Profits; Record U.S. crude production and pipeline bottlenecks have helped to lower oil costs for refiners, boosting margins

By Rebecca Elliott
876 words
7 August 2018
05:30 AM
The Wall Street Journal Online
WSJO
English

American fuel makers are posting their best second-quarter profits in years, thanks to soaring domestic oil production and regional pipeline bottlenecks that are allowing them to buy crude on the cheap.

Refining companies typically suffer as **oil prices** rise because drivers scale back their travel, reducing demand for gasoline and diesel. But record U.S. production, coupled with insufficient pipeline capacity in Canada and West Texas, has depressed the cost of oil in many parts of the country, even as **oil prices** have been rising in general.

That has boosted margins for many stand-alone refiners, propelling some, including Phillips 66 and Marathon Petroleum Corp., to their highest second-quarter profits on record.

Phillips 66, the largest independent refiner by market capitalization, earned an average of $12.28 per refined barrel during the second quarter, up from $8.44 for the comparable period last year. The company reported profit of $1.3 billion, up 143% from 2017's second quarter.

Marathon Petroleum earned $15.40 per refined barrel, compared with $11.32 a barrel in the year-earlier period. Its second-quarter profit rose 118% to $1.1 billion.

Both companies seized on the favorable economics by operating their facilities at full capacity.

"Our ability to take advantage of crude differentials provided substantial benefits in the quarter," Marathon Petroleum finance chief Timothy Griffith said.

Valero Energy Corp. reported a refining margin of $10.80 a barrel, compared with $8.66 a year earlier. Its quarterly profit of $845 million marked a 54% rise and its best second-quarter showing since 2015.

Andeavor, which Marathon Petroleum is set to acquire for $23 billion, also posted its best second-quarter earnings since 2015. Its profit of $515 million was more than 12 times that of last year's second quarter, with its refining margin rising to $14.26 a barrel, from $9.45 a barrel.

Distribution pains associated with rapid production increases have played to refiners' advantage. Benchmark crude prices in the U.S. fell to as much as $11 a barrel below international prices during the second quarter, the widest spread in three years, according to Dow Jones Market Data.

The discount on oil sold in Canada and West Texas, home to the Permian Basin, the U.S.'s most active oil field, was far steeper because of regional pipeline bottlenecks.

That was a boon for sellers of refined products, which are typically priced to the global market. The U.S. exported daily about 3.4 million barrels of refined products, including gasoline and diesel, as of May, according to the Energy Information Administration.

"They're in the catbird seat as far as buying their raw materials," said Sandy Fielden, director of oil research for Morningstar Inc., who called refining a "cash cow."

American refiners are the grunts of the energy industry, largely operating fuel-making facilities that have been in place for decades. But during the shale boom their stocks so far have outperformed other sectors of the oil and gas business.

The four largest stand-alone refining businesses in the U.S.—Phillips 66, Valero, Marathon Petroleum and Andeavor—have produced the highest stock returns among energy companies on the **S&P 500 index** since April 2012, when Phillips 66 was spun off as an independent company.

The businesses benefited in the early days of the shale boom from a U.S. ban on crude exports that depressed domestic prices, giving them an edge over foreign competitors.

Some expected the companies' fortunes to wane after the U.S. lifted the export ban in 2015, causing the price differential between domestic and foreign crude to shrink. The recovery in **oil prices** following their crash in 2014 was seen as a potential headwind, too.

But bottlenecks and rising production have continued to create buying bargains for refiners. Those discounts are expected to widen over the coming year as production in Canada and the Permian Basin continues to overwhelm existing pipelines, analysts said.

"It's going to recur in coming quarters," Doug Terreson, an analyst with Evercore ISI, said of refiners' performance.

An economic slowdown could of course tamp down demand for gasoline, drying up refiners' profits. Another factor, Mr. Fielden said, is political change in Mexico, where energy reforms proposed by the country's president-elect could reduce demand for U.S. exports.

Longer term, an international air-pollution rule to cut emissions from oceangoing ships is poised to boost U.S. refining companies, particularly those with more technologically advanced facilities on the Gulf Coast and in the Midwest.

Set to go into effect in 2020, the regulation by the International Maritime Organization is designed to reduce the amount of sulfur in marine fuel. Most large vessels now run on a high-sulfur fuel known as bunker fuel, which is made from the leftovers of the diesel and gasoline refining processes.

Valero Chief Executive Joe Gorder told investors he expects the regulation to benefit the company.

"We should see significant increases in our free cash flow," he said.

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THE WALL STREET JOURNAL.
U.S. EDITION

Refiners in U.S. Enjoy Gusher of Earnings

By Rebecca Elliott
700 words
8 August 2018
The Wall Street Journal
J
A1
English

U.S. fuel makers are posting their best second-quarter profits in years, spurred by soaring domestic oil production and regional pipeline bottlenecks that are allowing them to buy crude on the cheap.

Refining companies typically suffer as **oil prices** rise because drivers scale back their travel, reducing demand for gasoline and diesel. But record U.S. production, coupled with insufficient pipeline capacity in Canada and West Texas, has depressed the cost of oil in many parts of the country, even as **oil prices** have been rising in general.

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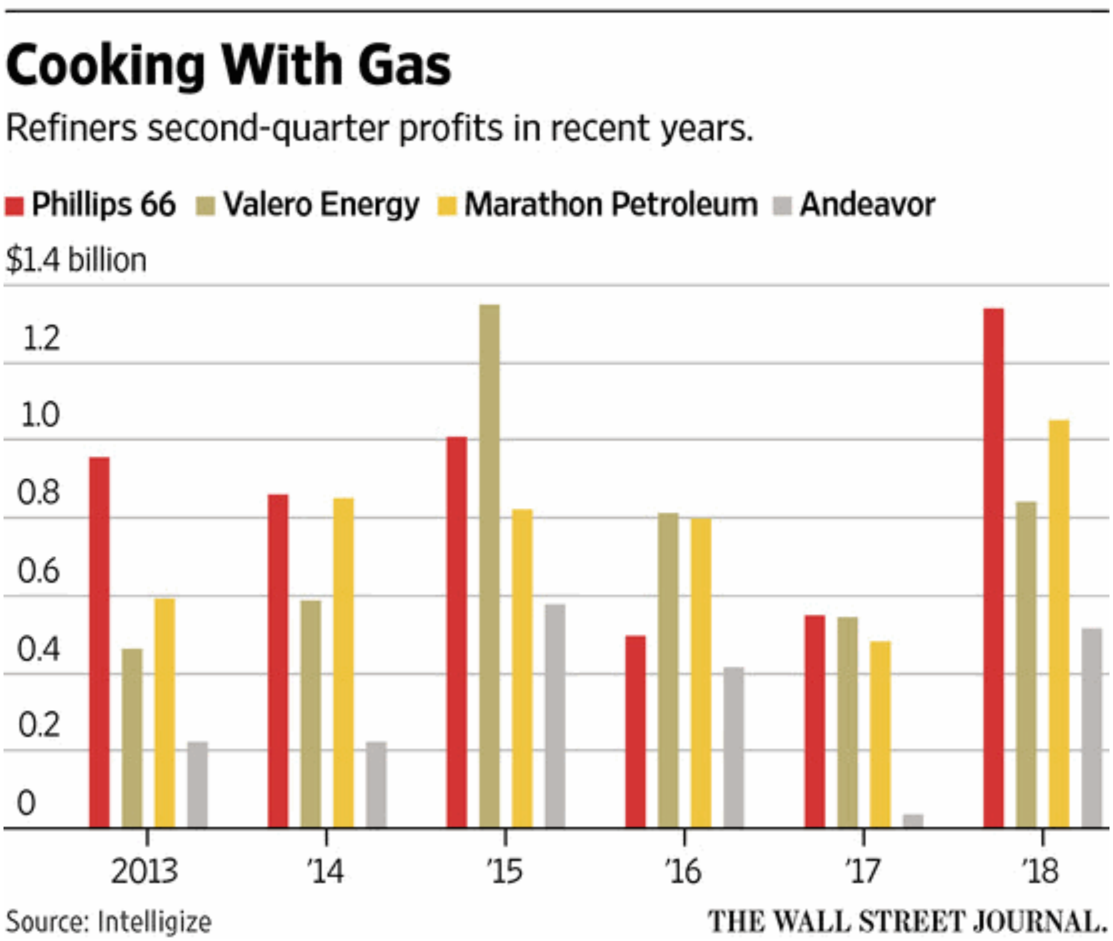

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THE WALL STREET JOURNAL.
U.S. EDITION

World News: Expansion Gives U.S. Edge in Trade Fights

By Josh Zumbrun
1,066 words
1 August 2018
The Wall Street Journal
J
A9
English

China, Europe and Mexico's economies showed fresh signs of stumbling Tuesday while the U.S. powered ahead, boosting Washington's hand as it jockeys with them over trade.

U.S. economic reports Tuesday showed wages and salaries grew in the second quarter at their fastest pace in nearly a decade while consumption in June also registered solid growth. Meantime, overall U.S. economic output expanded at a 4.1% annual rate in the quarter, its best three-month increase since 2014.

By contrast, other data out Tuesday showed Mexico's economy contracted in the second quarter; the eurozone economy notched 1.4% growth, its slowest rate in three years; and a measure of manufacturing in China fell to a five-month low.

The Chinese economy "faces some new problems and new challenges," China's Politburo said in a statement after a meeting Tuesday. Without referencing tariffs or the trade conflict with the U.S., it added, "there are obvious changes in the external environment."

The Trump administration has heralded economic strength as a source of leverage in its quest to force rivals to make concessions to the U.S. on trade. Those talks are entering a new phase, with a renewed push to renegotiate the North American Free Trade Agreement, including the participation of Mexico's incoming presidential administration, and an agreement to hold off on tariffs against Europe after a Washington visit last week by European Commission President Jean-Claude Juncker.

The U.S. and China, meanwhile, are making little progress in behind-the-scenes efforts to restart formal trade talks.

"I would expect to see this divergence in economic growth between the U.S. and others continue the rest of 2018," said Bernard Baumohl, chief global economist of the Economic Outlook Group, though he cautioned that the U.S. would likely slow as well by 2019, especially as the boost from last year's tax cuts begins to fade.

The first round of U.S. tariffs has begun to reverberate globally, and the economic effects are likely to become more apparent if they remain in place -- and as other countries retaliate. But for many U.S. trading partners, the tariffs may be just one of many challenges they face.

The eurozone entered 2018 on a high, having racked up its most rapid expansion in a decade during 2017. But growth slowed sharply in the first three months of this year, a setback that policy makers and many economists initially attributed to unusually cold weather and labor strikes in Germany and France. The failure of the economy to rebound in the second quarter shows other forces may be at work.

"It seems like excuses are running out," said Bert Colijn, an economist at ING Bank. "Factors with a longer shelf life seem to have brought eurozone GDP growth down to a lower cruising speed for the moment."

The difference between U.S. and European growth in the second quarter was the widest since 2014's second half, when Europe faced Greece's debt crisis. Business optimism in Europe has waned, but trade is just one factor. Stock markets have faced turbulence from uncertainty over Britain's plans to leave the bloc next year, and from a new Italian government that has been skeptical of the euro. In a sign of stumbling optimism, Germany's DAX **stock index** is down 0.9% this year, compared with a 5.4% rise by the U.S.-based **S&P 500 index**.

Analysts cautioned that some of the U.S. strength in recent months might be a temporary result of companies positioning themselves in response to tariff threats. U.S. GDP growth was boosted in the second quarter by a burst of exports, particularly soybeans, as trade partners moved to book purchases before retaliatory tariffs from China take effect.

"What happened in the second quarter was the rush by exporters to ship goods before the tariffs take their punishing toll," said Mr. Baumohl.

Europe, on the other hand, experienced a slowdown in exports, which economists attributed in part to uncertainty over trading relationships with the U.S. and U.K.

A similar story played out in Mexico, where economic output contracted in the second quarter after a robust first quarter, according to data from Mexico's National Statistics Institute released Tuesday.

Mexico's economic output shrank by a 0.3% seasonally adjusted annualized rate, following a first quarter in which output expanded at an annualized rate of 4.6%.

After a strong start to the year, private investment in Mexico likely was negative in the second quarter, said independent economist Jonathan Heath. He noted the uncertainty that emerged during the quarter over negotiations with the U.S. and Canada to redraw Nafta. Mexico also faced unease following the July 1 presidential election won by leftist candidate Andres Manuel Lopez Obrador.

The trade tensions are being felt in Beijing as well, where they are adding to longer-standing challenges for China's economy.

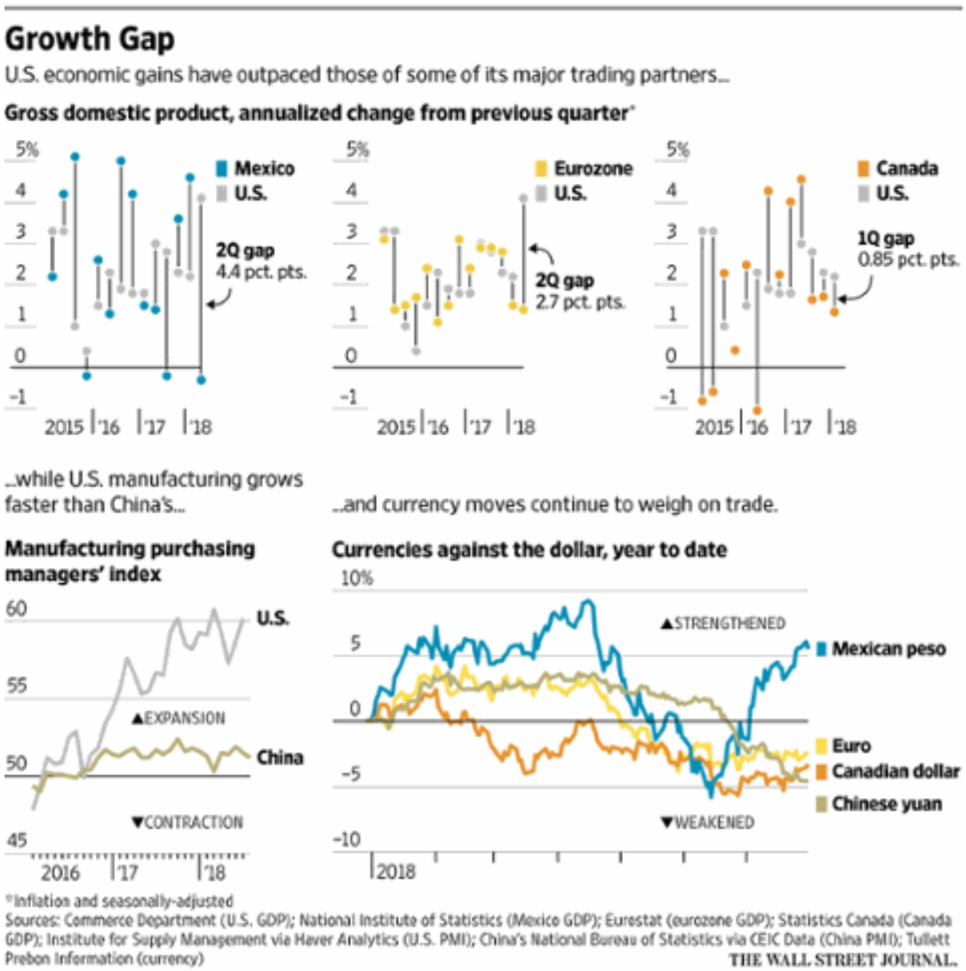
China's official manufacturing purchasing managers index fell to a five-month low of 51.2 from June's 51.5, data released by the National Bureau of Statistics showed Tuesday. The reading was slightly below economists' expectations, though still above the 50 mark that is a demarcation of contracting activity. A subindex measuring production dropped to 53.0 from 53.6, while the new-orders index fell to 52.3 from 53.2.

China's growth rates have been slowly declining for years, not just because of recent trade-related changes, as the government attempts to shift away from credit-fueled and export-led growth toward more domestic consumption.

It remains unclear how long the U.S. can maintain strong performance when so much of the world has stuttered. American growth has been energized by tax cuts and government spending increases.

"Difficult to say the divergence will be brief, because in the short term fiscal policy will be clearly in favor of the U.S.," said Marco Valli, head of macro research at UniCredit Bank in Milan. "That said, when the fiscal boost ebbs, it's very unlikely the U.S. could meaningfully decouple" from the rest of the world and maintain higher growth rates.

Anthony Harrup and Paul Hannon contributed to this article.



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THE WALL STREET JOURNAL.

Markets

Behemoths Have Dominated the Market Before, but Tech Is Different; That big tech companies now dominate the stock market isn't cause for alarm, but the risks are worth noting

By James Mackintosh
870 words
17 August 2018
11:11 AM
The Wall Street Journal Online
WSJO
English

Corrections & Amplifications

An earlier version of this column incorrectly referred to the 2001 recession as occurring in 2000. (Aug. 17)

As the race to become the first company worth $1 trillion enters the final lap, technology monopolies are dominating the stock market. The five biggest companies by market value are U.S. tech stocks: Apple, Amazon, Alphabet, Microsoft and Facebook. Between them they accounted for more than a third of the $2.7 trillion increase in value of the S&P 500 in the past 12 months.

Worse, the top five now make up more than 15% of the S&P, the most for any top five since early 2000. Is it time to worry that the market is getting top heavy?

History suggests not, as a handful of companies have been far more dominating in the past. But that doesn't mean we should be unconcerned. The first risk to investors is that they turn out to be wrong to think that disruptive tech companies will be immensely profitable in the future. The second risk is that the outperformance of a small group of huge companies is a sign that the market is approaching the end of the cycle, as it was ahead of the 1990, 2001 and 2008 recessions, as well as in 1973.

Start with the good news. Apple, with a market value of $937 billion, is about 4% of the S&P on its own, the most of any company since Exxon Mobil in 2008, and before that Microsoft in the dotcom bubble. But go back further and the S&P looks much better distributed: At the start of the 1970s IBM was 9% of the index, while AT&T and General Motors both had a bigger share than Apple has today. (You can play with the chart below to see the biggest companies in any year.)

The same goes for the top five, which had a higher share of the S&P than they have today from 1964 until 1983, according to calculations by Tim Edwards of the index investment strategy team at S&P Dow Jones Indices. However, there used to be a longer tail of small companies, and the S&P now makes up a much larger proportion of the total value of the market.

What's different is that this time all five share a single characteristic, that of being disruptive tech stocks with strong grips on their customers. Shareholders have bought into the idea that these companies will dominate the market for many years to come, reaping the rewards of their heavy spending on research and development and expansion into new areas of business. In the past the most similarity was in 1980, when three stocks were oil dependent: industry supplier Schlumberger, Exxon and Amoco's predecessor. Even in the dotcom madness at the end of 1999, Exxon, retailer Walmart and industrial conglomerate General Electric remained among the five biggest.

Such concentration by type of company should be troubling. It requires the belief that something deep has changed in the nature of business, and the big tech companies have better defenses for their profits than big companies had in the past. Or that they are able to exploit technologies in ways that other companies aren't, and that governments won't step in, as in the past, to restrict such highly profitable monopolies. Or perhaps that visionary leaders and innovative corporate cultures mean the companies are destined to beat more conventional competitors in the future, too. But a lot of money is riding on the idea that the big five's fat profit margins or rapid growth are impervious to competition, even from one another.

It is also unusual that a small group of large companies should do so much better than everyone else. The scale of the outperformance is extraordinary: An investor who put the same money into each of the big five a year ago is up 38%, ignoring dividends, while the S&P is up 14%.

The simplest measure of large-stock performance within the S&P is to compare the ordinary index weighted by market value, where the biggest have a much bigger effect on market moves, against an equal-weighted version. Usually the equal-weight S&P does better, as smaller members of the index outperform the dullards at the top. But as the business cycle and market cycle grow old, it is common for investors to concentrate on a smaller number of big stocks, leading the equal-weight index to underperform. That's what happened ahead of the 1990 downturn, the popping of the dotcom bubble in 2000 and the 2008 crash after Lehman failed. It's happening again now.

But this time might be different. While the tech giants are beating the rest of the S&P, smaller stocks are beating the S&P, too, so it may be more about tech excitement than a rotation into big companies. Equally, the tech giants are no mere dotcom flash. But it is rare for the biggest stocks to outperform for long.

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THE WALL STREET JOURNAL.

Markets

Nasdaq Extends Winning Streak to Eighth Session; The tech-heavy index shrugged off declines in other stock indexes in the latest sign that investors are retaining their faith in companies like Apple and Amazon.com

By Michael Wursthorn
489 words
9 August 2018
06:45 PM
The Wall Street Journal Online
WSJO
English

The **Nasdaq Composite** Index notched its eighth straight session of gains Thursday, shrugging off declines in the other major U.S. stock indexes in the latest sign that investors are retaining their faith in major technology firms.

The 3.46-point gain took the **Nasdaq** to 7891.78, just 41 points shy of its record set last month. In part, investors have been seeking out shares of technology companies as a haven from the continuing trade tensions between the U.S. and China and other major trade partners.

In addition, valuations across the market have come down following another strong quarterly earnings season, though price/earnings ratios in general remain in a range that has been seen only rarely in previous market cycles. (Please see related article on B12.)

With 82% of **S&P 500** tech companies having reported results, second-quarter earnings have risen 32% from the same period a year earlier—a growth rate that is nearly on par with the first quarter of 2018.

"As long as the economy can keep growing and spending on technology and software is buoyant, I'd expect the tech sector to sustain these levels," said Dan Morgan, a portfolio manager with Synovus Trust.

The **Nasdaq** index became synonymous with pricey tech stocks during the internet boom of the late 1990s, but its advance to dozens of records in recent years has been fueled by a handful of companies generating significant recurring growth in profits and revenue—and, in many cases, exerting a strong competitive hold on lucrative industries such as media and retail.

Many investors are banking that further gains in the **Nasdaq** will be driven in part by the mettle of firms such as Apple Inc., which this month became the first U.S. company to sport a $1 trillion market value, and Amazon.com Inc., which accounts for nearly half of U.S. online sales. On Thursday, Apple rose $1.63 to $208.88 and Amazon added $12 to $1,898.52.

Not all of those companies have kept moving up in lockstep: Both social-media company Facebook Inc. and streaming-video provider Netflix Inc. suffered double-digit share-price declines in the past month following earnings that were deemed disappointing by Wall Street.

At the same time, many investors are taking heart that the perceived stumbles at those firms haven't slowed tech's momentum in the market. For the year, the **Nasdaq** is up 14%, among the best performances in markets this year. That is more than double the 6.7% gain for the **S&P 500** and the 3.2% advance for the Dow Industrials.

On Thursday, the S&P lost 0.1% and the Dow dropped 0.3%.

Document WSJO000020180809ee89008n5

THE WALL STREET JOURNAL.
U.S. EDITION

Streetwise: Fret About Interest Rates, Not Stimulus

By James Mackintosh
893 words
7 August 2018
The Wall Street Journal
J
B1
English

More money is good, less money is bad. That's the basic principle of an increasingly popular case for being **bearish**: The Federal Reserve is putting quantitative easing into reverse, removing trillions of dollars it printed to support the economy.

The case doesn't stand up to close scrutiny, however. There are good reasons to worry about tighter monetary policy, but the focus should be on the price of money -- interest rates -- not the amount of money.

The bear case runs like this. The Fed has bought more than $3.5 trillion of Treasurys and mortgage-backed bonds since 2009. The flood of liquidity overflowed from the bond market to boost the price of stocks, property, commodities and even art.

Now that the Fed is selling what it bought, that tide runs back out. The effects are already showing up in the riskiest places, notably emerging markets.

The theory typically gets wrong how money enters the economy, by confusing central-bank money -- deposits at the Fed, held as reserves in the banking system -- with the ordinary money we use every day, which is actually a credit on a commercial bank.

The only way ordinary investors and most other non-banks can hold Fed money directly is in physical dollar bills, and the Fed hasn't been printing any more of them than usual.

The Fed's bond-buying program did boost the amount of ordinary dollars available: When the Fed pays a non-bank investor for a bond, it does so by crediting his or her bank with more reserves; the bank in turn credits the investor with more ordinary money in the form of a bigger account balance.

There's no money creation, though, if banks sell their own holdings of Treasurys to the Fed, or if investors use the proceeds to pay down existing debt.

Those offsets matter -- the Bank of England estimated that about 40% of the effect of its quantitative easing, or QE, was canceled out through such "leakage." What about the rest of it?

Central bankers focus on what they call "portfolio rebalancing": investors who would have owned Treasurys being pushed into riskier assets instead, such as equities and higher-yielding corporate bonds.

Critically, the reason investors take more risk in their portfolio is because the Fed's buying makes bond yields go down compared with where they would have been, prompting the hunt for yield so familiar to anyone watching the markets.

It is thus about price, not about how much money investors have in their bank accounts.

So could the turnaround in QE change prices? The Fed aims to cut its holdings of bonds by $40 billion a month, rising to $50 billion by the end of the year.

If that makes bond yields rise, investors who had abandoned Treasurys might be tempted back, reducing demand for riskier assets and so their prices.

At the end of the chain are emerging markets, the riskiest assets that saw the biggest inflows during the **bull market**, and it is reasonable to expect them to suffer most from such a rise in yields.

That's the theory. In reality, Treasury yields are tightly linked to expectations about the economy, inflation and future interest rates -- not anyone's buying and selling.

Over each of the three QE periods **10**-**year Treasury** yields rose, the opposite of what would be expected, because investors grew more confident about growth, and after each ended yields fell back.

If the Fed was responsible, the general sense that it is doing something, and the signal that sends, seems to be more important than what it actually does.

One way to measure the pure supply-and-demand effect of Fed bond buying is through the term premium, the extra reward for holding long-dated Treasurys above the expected path of interest rates.

Fed buying should depress this premium, although once again it didn't behave as expected during QE periods, and has fallen sharply since the Fed began to taper bond purchases in 2014.

According to a New York Fed estimate of the term premium, it is at about the same level it was in October, suggesting that quantitative tightening -- QT -- has had no effect, at least so far.

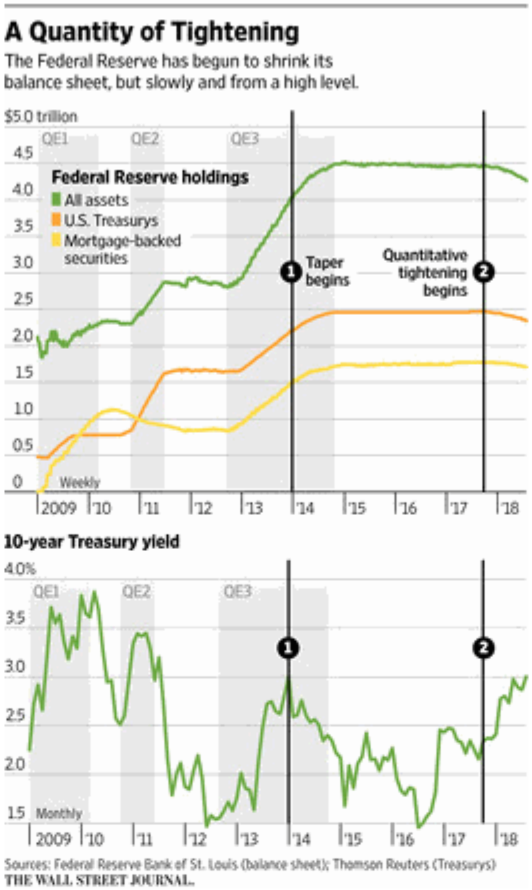
The Fed is running down its balance sheet slowly and deliberately. But even if QT pushed up the term premium a lot, bond yields are moved around just as much by changing views of the economy and interest rates.

Even more confusing for investors is that the relationship between bond yields and stocks isn't fixed. Since the late 1990s stocks have tended to go up on days when bond yields rose, and vice versa, most likely because both were pushed around by changing economic sentiment.

But for two decades before that the relationship had been the other way around, probably because investors were more focused on inflation.

Of course, QT might start to have an effect on bond yields, and it might not be drowned out by broader economic shifts.

In that case, it might then hurt stocks. But anyone really worried about this should just watch the **bond yield** and the term premium, rather than getting too concerned about the size of the Fed's balance sheet.



A Quantity of Tightening
The Federal Reserve has begun to shrink its balance sheet, but slowly and from a high level.
$5.0 trillion
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0
QE1
QE2
QE3
Federal Reserve holdings
All assets
U.S. Treasurys
Mortgage-backed securities
Taper begins
Quantitative tightening begins
Weekly
2009
'10
'11
'12
'13
'14
'15
'16
'17
'18
10-year Treasury yield
4.0%
3.5
3.0
2.5
2.0
1.5
Monthly
Sources: Federal Reserve Bank of St. Louis (balance sheet); Thomson Reuters (Treasurys)
THE WALL STREET JOURNAL.

Money Supply

The narrow M1 measure of the money supply has decelerated sharply this year as the Fed shrank its balance sheet, but a broader measure appears unaffected.

Change from previous year in M1 and M2 money stock

Notes: Monthly average; Seasonally-adjusted data
Source: Federal Reserve Bank of St. Louis

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THE WALL STREET JOURNAL.

Markets

China's Softer Stance on Defaults Spurs Asian Bond Market; Sales of new U.S. dollar bonds in Asia excluding Japan last week were the highest since mid-April

By Manju Dalal
521 words
6 August 2018
05:30 AM
The Wall Street Journal Online
WSJO
English

Beijing's softening stance on deleveraging and defaults has helped fuel a mini-revival across Asia's credit markets, pushing up **bond prices** in recent weeks and sparking debt issuance.

Issuers from China to South Korea and India sold about $9.2 billion in new U.S. dollar bonds during the week ended Aug. 3, the highest weekly tally in Asia excluding Japan since mid-April, according to Thomson Reuters. New deals had nearly ground to a halt in early July over fears of rising defaults among Chinese borrowers.

On Friday, Macau-based casino operator Sands China Ltd.—which is majority-owned by Las Vegas Sands Corp.—priced $5.5 billion in investment-grade bonds maturing in five to 10 years, with yields of 4.6% to 5.4%. It was the largest sale of U.S. dollar corporate bonds in Asia this year.

In a sign of pent-up demand, the company's inaugural bond sale drew more than $20 billion in orders from investors, according to Ken Wei Wong, head of the Asian fixed-income syndicate at Barclays, one of the advisers on the deal.

Bond sales by Hong Kong-based shipping conglomerate China Merchants Port Holdings Co., China Mengniu Dairy Co. and Korea's Woori Bank also met with strong demand, bankers said.

Market sentiment improved after China took steps to boost the economy and eased efforts to slow debt growth. Among other things, Beijing injected liquidity into the banking system, encouraged local governments to tap the bond market and promised to boost domestic consumption and support businesses. It also pledged to ensure economic stability during a trade fight with the U.S.

"China's fine-tuning of its deleveraging campaign has removed the risk of excessive tightening," said Omar Slim, a Singapore-based fixed-income portfolio manager with PineBridge Investments.

The shift by Beijing helped spark a rally across Asian **financial markets**. The average yield on the ICE Bank of America Merrill Lynch Asian Dollar High Yield Index, after being driven above 9% by a selloff, has fallen to about 8.5% as junk-**bond prices** have climbed. Yields on investment-grade bonds, typically less **volatile**, have remained broadly stable. **Bond prices** and yields move in the opposite direction.

Some investors view China's recent moves as "the start of a credit **bull market**, but it won't be as mad as the one before," said Edmund Goh, investment manager at Aberdeen Asset Management Asia.

Some risks remain. The escalating trade conflict between the U.S. and China hangs over markets. And borrowing costs are considerably higher than when the year began, partly because yields on U.S. Treasury bonds have risen sharply. That is good news for buyers of new debt, but less comfortable for financially strained companies. Still, Mr. Slim at PineBridge said he thinks the recent rebound in prices looks sustainable.

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THE WALL STREET JOURNAL.
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Higher Oil Stockpiles Push Down Prices

By Dan Molinski and Christopher Alessi
795 words
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The Wall Street Journal
J
B12
English

Oil prices dropped to their lowest level in almost six weeks after government data showed an unexpected increase in U.S. inventories of crude, reigniting worries about oversupply.

Light, sweet crude for September delivery fell $1.10, or 1.6%, to $67.66 a barrel on the New York Mercantile Exchange, its lowest close since June 21. U.S. **oil prices** are 8.8% below their June multiyear high.

Prices have been **volatile** in recent weeks, with some traders expecting higher supply among some of the world's largest producers, including Saudi Arabia and Russia, to cool a monthslong rally. U.S. government data showing steady production also hurt prices.

The Energy Information Administration said U.S. commercial stockpiles of crude rose by 3.8 million barrels last week, to 409 million barrels. The increase means inventories are just 1% below the five-year average for this time of year, versus nearly 5% below that average about a month ago.

Traders and analysts surveyed by The Wall Street Journal had projected a 2.2-million-barrel decline, on average. The third surprise increase in inventories in the past five weeks has hurt sentiment because the U.S. is in the middle of peak driving season and refineries are in many cases consuming as much crude oil as their plants allow, analysts said.

"The real problem for the U.S. crude market looms in September -- that's when the turnarounds at a number of refineries begin in earnest," said Tom Kloza, global head of energy analysis at the **Oil Price** Information Service. He indicated more inventory increases may be in the offing as refineries begin scheduled tuneups that won't allow them to take in as much crude oil.

The EIA report also showed U.S. crude-oil exports were cut by more than half to 1.3 million barrels a day last week from the week before. Analysts said the weekly change isn't overly worrisome, but any trend toward further declines in exports could suggest U.S. producers are having a tougher time selling U.S. crude to global buyers such as China.

Signs of surging production from Saudi Arabia -- the de facto head of the Organization of the Petroleum Exporting Countries -- and Russia also pressured prices Wednesday.

OPEC and Russia agreed in late June to begin ramping up crude output by up to one million barrels a day this month, after more than a year of holding back production in a coordinated effort to rein in a supply glut and boost prices.

"The OPEC kingpin [Saudi Arabia]. . .increased output by 400,000 barrels per day in June, and a similar increase is penciled in for last month," said Stephen Brennock, an analyst at brokerage PVM Oil Associates Ltd. At the same time, Russia "has raised its output to within a whisker of its pre-deal level of 11.24 million barrels a day," he added.

OPEC and 10 producers outside the cartel, including Russia, first agreed in late 2016 to cut their crude output by roughly 1.8 million barrels a day, or 2% of global supply. The deal, which is set to officially expire at the end of this year, has helped boost crude prices.

Higher supply from those countries and Monday's comments from President Trump that he would be willing to meet with Iranian President Hassan Rouhani have eased fears of a supply shortage, analysts have said. Expectations that U.S. sanctions on Iran would remove some oil from the market have previously lifted prices.

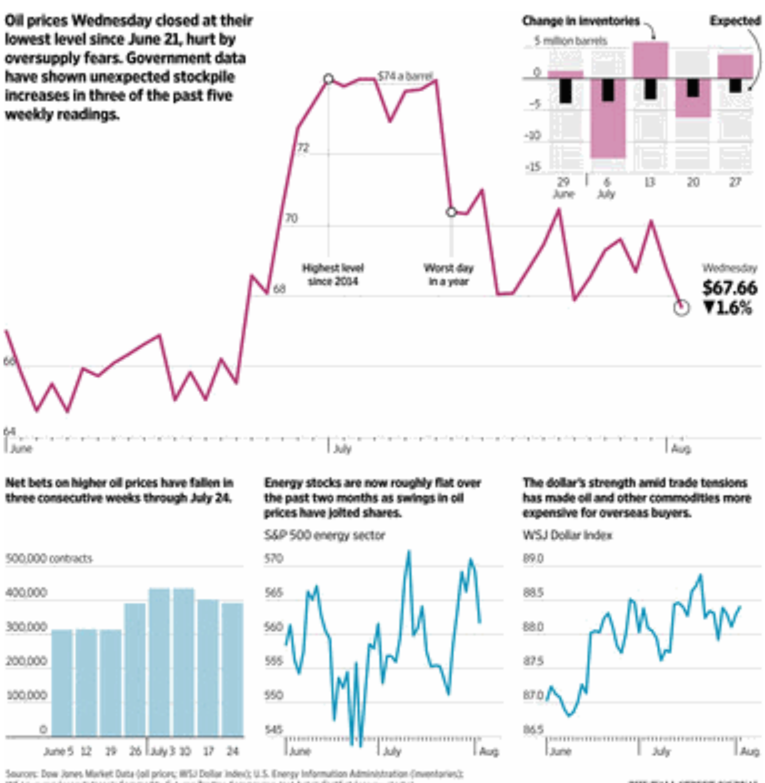
A stronger dollar, partly due to tensions between the U.S. and its global trading partners over tariffs, also has weighed on oil, which becomes more expensive for overseas buyers when the U.S. currency rises. The WSJ Dollar Index, which tracks the dollar against a basket of 16 other currencies, added 0.1% Wednesday

Recent declines in oil prices also have hurt shares of energy companies. The S&P 500 energy sector dropped 1.3%.

Although oil has fallen recently, some analysts expect prices to bounce back on signs of further supply disruptions. Wednesday's EIA report showed production declined from a week earlier, a sign to some that pipeline shortages could lower U.S. supply and boost prices. Some traders also have said the drop in bullish speculative bets in recent weeks has left the market poised to rebound if sentiment reverses again.

Among refined products Wednesday, gasoline futures for September delivery fell 3.54 cents, or 1.7%, to $2.0451 a gallon. Diesel futures declined 4 cents, or 1.9%, to $2.0974 a gallon.

Amrith Ramkumar contributed to this article.



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THE WALL STREET JOURNAL.

Markets
U.S. Government Bonds Jump on Soft Inflation Data; Benchmark 10-year Treasury note yield falls to 2.935%

By Daniel Kruger
352 words
9 August 2018
04:42 PM
The Wall Street Journal Online
WSJO
English

U.S. government bonds gained Thursday after the Labor Department said producer prices remained flat in July, falling short of economist forecasts for them to rise.

The yield on the benchmark **10-year Treasury** note fell for a second consecutive day to 2.935% from 2.969% Wednesday. Yields fall as **bond prices** rise.

Yields fell Thursday after the Labor Department said the producer-price index was flat in July, and that prices excluding the often-**volatile** food and energy categories rose 0.1%. Economists surveyed by The Wall Street Journal had expected a 0.2% increase in overall prices, and a 0.2% rise for prices excluding food and energy.

The index tracks cost pressures building in the pipeline for many businesses, which can be a precursor to broader inflation. Inflation poses a threat to the value of a bond's future interest and principal payments.

The report on producer prices did little to change broad expectations for the pace of future Federal Reserve rate increases. Fed-funds futures, which investors use to bet on the path of central bank policy, show the bulk of investors' bets remain in favor of two more interest-rate increases before the end of the year. The futures market was pricing in a 70% probability of that outcome late Thursday, down from 71% Wednesday.

The softer-than-expected inflation data is "driving the market," said Subadra Rajappa, head of U.S. interest-rate strategy at Société Générale.

The Treasury sold $18 billion of 30-year bonds Thursday afternoon, the last of three note and bond auctions this week. The government auctioned $26 billion of 10-year notes Wednesday, with investors buying a larger-than-average proportion of the sale. The **10-year Treasury** yield reached 3% last week for the first time since June.

"Any time you see yields heading for that level, you tend to see a decent amount of demand," Ms. Rajappa said.

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Streetwise: Markets Say: Don't Bet on a Boom

By James Mackintosh
802 words
31 August 2018
The Wall Street Journal
J
B1
English

Stocks and bonds seem to be telling two contradictory stories about a divided America. On one side are U.S. equities, supporting the idea of a new economic boom after hitting a series of highs. On the other are the dour pessimists of the bond market, where **10-year Treasury** yields have stagnated after failing to hold above 3%.

The tale of two Americas in two markets is appealing, but in reality the same investors operate in both and have access to the same information. So how come they look so different?

Gluskin Sheff Chief Economist David Rosenberg reckons neither market is telling us anything about the economy. Stocks are "being juiced by record M&A activity and stock buybacks," he says, while there is "scant chance" of Treasury yields rising while European and Japanese yields are close to zero.

However, stocks and bonds are telling a consistent story of a slower but still-growing economy.

Start with equities: After their rapid drop in late January, there was renewed optimism as the U.S. economy surged and tax cuts boosted earnings. But for the past three months, defensive stocks have been doing well, while the cyclical stocks that tend to climb when the economy accelerates have been lagging behind.

A market rising because of defensive stocks is at least rising -- and even the cyclical sectors all have made money. The message is that growth prospects are unspectacular but fine, and far better than the signal coming from the rest of the world, where many cyclical stocks are down. The **S&P 500** industrial sector, for example, is up 4.1% in the past three months, while in most of the world it has dropped.

Treasurys can be read as a message of calm about the U.S., too. Treasury yields reflect anticipated Fed interest rates until the bond matures, plus a term premium to reflect risk. Assessing the term premium is more art than science, but the New York Federal Reserve's widely used method suggests that since January, the premium has fallen, and the underlying **bond yield** has carried on up until about three months ago, and has been fairly steady since then.

Rather than the gloomy message of a weak economy sent by the **bond yield**, this model suggests everything is coming along fine; it just hasn't improved further in the past three months. Much like in equities, bond investors aren't buying into the idea of a blowout boom, but they aren't anticipating recession either.

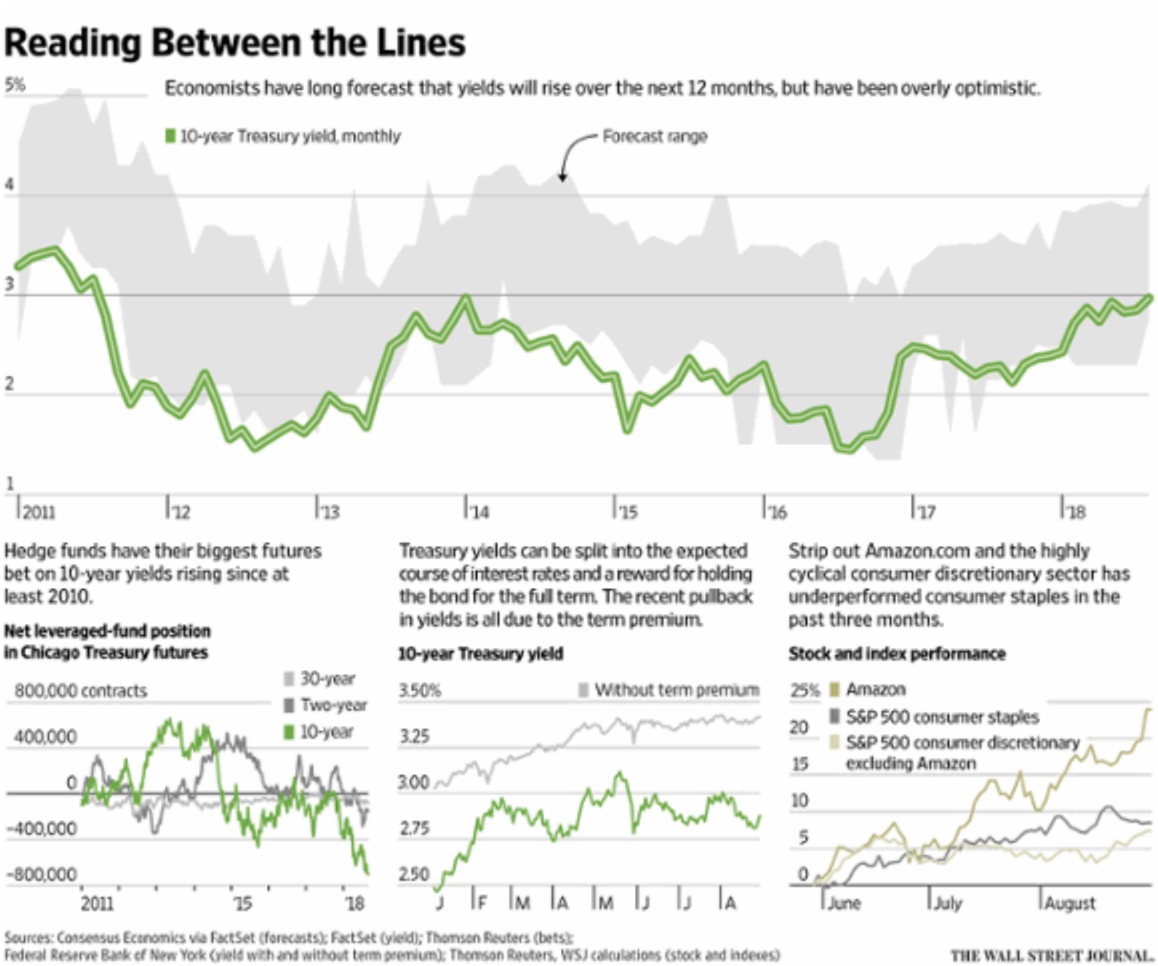
The markets could be wrong in lots of ways, but there are three particularly big assumptions investors are making. One is that inflation will stay moderate. Another is that the Fed will be somewhat more dovish than it says and the last is that Italy will remain a problem. A change to any of those could finally shake bond yields into rising.

The bond market is priced for inflation over the five years starting in five years' time to be just over 2%, well in line with the Fed's mandate and about where it has been since its spike in January. If the tight jobs market and signs of production bottlenecks in the U.S. or a recovery in Europe and China prompt more concern about inflation, then bond yields could rise quickly. Stocks might suffer a repeat of their January fall, also triggered by inflation worries.

Signs of inflation also would shake the assumption priced into futures markets that the Fed won't match the median forecast of its policy makers for three increases next year, after two more this year. "There's an increasing belief that once the Fed gets to neutral it will pause and hang out there for a while," says David Rolley, co-team leader of global fixed income at Loomis, Sayles & Co. in Boston.

Italy matters more than one might think, because worries about its populist government's arguments with Europe have been weighing on German bond yields. Calculations by Goldman Sachs suggest low German yields have been most important in holding down the U.S. term premium since May, so if Italian concerns abate then higher German yields might feed through to the U.S., too.

Of course, all this could be upset by signs that bigger taxes on China trade will really hurt or that troubles in Turkey and Argentina will hit Wall Street. For now, speculators are happy to ignore those threats, with hedge funds having their biggest bets on rising yields since data was reorganized in 2010. Bonds may have been calm in recent months, but the uncertain fundamentals and extreme sentiment mean they could break out rapidly in either direction.



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THE WALL STREET JOURNAL.

Markets

Fears About Tech-Stock Multiples Don't Add Up, Bulls Say; Buoyant performance of U.S. tech stocks is driving some fund managers to dismiss longstanding valuation concerns as short-sighted

By Michael Wursthorn
847 words
19 August 2018
08:00 AM
The Wall Street Journal Online
WSJO
English

The buoyant performance of U.S. tech stocks is driving some fund managers and others to dismiss longstanding valuation concerns as short-sighted.

While shares of companies including Amazon.com Inc., Netflix Inc. and Salesforce.com Inc. have surged this year to price/earnings ratios that are several times the market's longtime average, many fans of these investments contend that such metrics can overstate risks. They say they prefer a broader assessment of financial and strategic progress, arguing that this view can be more germane to those expecting to hold the shares for a longer period.

"I don't talk about multiples. That's where the conversation stops," Jonathan Curtis, a portfolio manager at Franklin Templeton's Franklin Equity Group, says of discussions with others about tech companies. "I tell them, 'Help me understand what this business looks like at maturity.'"

The question of how to value popular technology shares is coming into sharp focus because major indexes are on track to set a new intraday record for the longest U.S. **bull market** in stocks Wednesday. The nine-year advance recently has been led by furious, sustained rallies in Amazon, Apple Inc. and Google parent Alphabet Inc., among others.

Skeptics say high valuations and a lack of "breadth"—that is, outsize gains concentrated in a small number of popular stocks—leave the broader market vulnerable to a pullback. An analysis of data going back to 1964 shows that higher multiples have tended to be followed by weaker returns over 10-year stretches, according to Credit Suisse Group AG.

But some investors who say they see these investments as long-term holdings are digging in their heels. In their view, the scrutiny of valuations risks overlooking the future value of current investment spending at firms with substantial edges in key markets, such as Amazon's expansion of its cloud-computing business and other firms' acquisition of valuable subscribers in fields they lead.

Believers in this approach may have some market math on their side: The valuation of the average stock in the **S&P 500** is now in the 97th percentile of historical levels, according to Goldman Sachs Group Inc., which analyzed 40 years of data. While that is down from the 99th percentile at one point last year, it shows that the concerns about valuation could be applied to a vast swath of the market, not just tech. Even consumer-staples firms, seen as defensive plays expected to do well in an economic slowdown, appear overpriced to many investors.

Of course, few question that higher multiples raise the risk of a near-term share-price decline in response to any given negative development, be it an earnings shortfall or a shock in a far-off market that hits sentiment. Investors in tech favorites Netflix and Facebook were reminded of this last month in the wake of sharp stock declines that followed profit-report disappointments.

"Valuations matter a lot more as you extend the time horizon," said John Prichard, president of Knightsbridge Asset Management, who expects rising interest rates to lead to a shakeout at some point that "will depress high-P/E stocks."

But the rise of interest rates this year has been slow and tech remains popular, with fund managers most heavily tilted toward tech of all 11 major **S&P 500** industry sectors. The average portfolio manager holds about 1.2% of its fund in tech and internet stocks, according to a Bank of America Merrill Lynch report last month.

In part, that is because many of the largest tech firms have carried outsize multiples throughout a run to record highs, and have shown impressive earnings gains during recent years that have brought down their price/earnings ratios even as shares notch large gains.

Take Amazon, up more than 60% this year and trading at a lofty 85 times future earnings: Improving earnings in recent quarters have driven the firm's price/earnings ratio down from its average level over the past three years of around 115 times, according to FactSet. In comparison, the **S&P 500** trades at about 16 times earnings expected over the next 12 months.

Less than five years ago, Facebook was trading at more than 50 times forward earnings as it outspent rivals to dominate social media's advertising landscape. Increased profits have brought its valuation down to 23 times today, even after the record market-value decline last month.

Salesforce is up more than 40% this year, yet fans contend the market is undervaluing its capacity to win long-term customers and penalizing the software firm for up-front marketing and sales costs.

"It's very easy to analyze this year's costs and say, Look at all this spend, it's unprofitable," said Matt Sabel, a portfolio manager for MFS Investments.

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THE WALL STREET JOURNAL.
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Airline Stocks Are Starting to Take Off

By Amrith Ramkumar
694 words
22 August 2018
The Wall Street Journal
J
B12
English

Airline stocks have begun to rebound after a monthslong downturn, a **bullish** sign for investors who watch shares of transportation companies as a gauge on the global economy.

After tumbling 20% from its January peak through late June, the NYSE Arca Airline Index has risen 10% and climbed in five sessions through Monday before falling less than 0.1% Tuesday. In the past month, Southwest Airlines Co. shares are up 14% and Delta Air Lines is up 11%.

The recovery has lifted the Dow Jones Transportation Average, which Tuesday set its first record since January. Analysts use the performance of transportation companies as an economic indicator because demand for their services is typically closely tied to global growth.

Earlier this year, continuing trade tensions had hurt growth-sensitive assets such as transportation stocks. But more recently, many large industrial companies have generally reported robust second-quarter demand -- leading some analysts and investors to boost their outlook on the economy.

Despite worries that tariffs are starting to curtail growth outside the U.S., investors have been encouraged that Chinese and U.S. negotiators are mapping out talks to try to end their trade standoff.

With sentiment about growth improving, airline shares have helped the **S&P 500** rise in the four latest sessions and reach an intraday record. On Monday, American Airlines Group Inc. was the index's second-best performer, climbing 5.8%, and every airline stock in the index added at least 3%.

After airline operators and other industrial firms surprised some analysts on recent earnings calls by saying demand largely remains favorable, some expect the group to continue marching higher.

"The industrial sector across the board really said things are continuing to hum along nicely," said Charlie Smith, chief investment officer of Fort Pitt Capital Group. "The trade problems that I've seen have been very isolated."

Some investors have long been looking for opportunities outside crowded technology and internet stocks and think beaten-down airline stocks could fit the bill. American, Delta, and United Continental Holdings all have price/earnings ratios below 10, based on expected profits in the next 12 months.

That compares with the more expensive valuations of 17 for the broader **S&P 500** and 19 for the index's information-technology sector.

Industry analysts point to two other main catalysts for the reversal in airline stocks: a drop in company projections for the number of passenger seats offered and moderating energy prices. Investors tend to fret about a rise in seats offered because airplanes flying with too many unsold seats are less profitable and quicker-than-expected expansion by operators can bring ticket prices lower.

Worries that a rise in passenger capacity would lead to emptier planes and fee competition had punished airline stocks before second-quarter earnings reports, with trade developments and higher fuel prices adding to the **bearish** sentiment. But now that airline operators have lowered projections for capacity growth, some analysts expect the sector to stabilize.

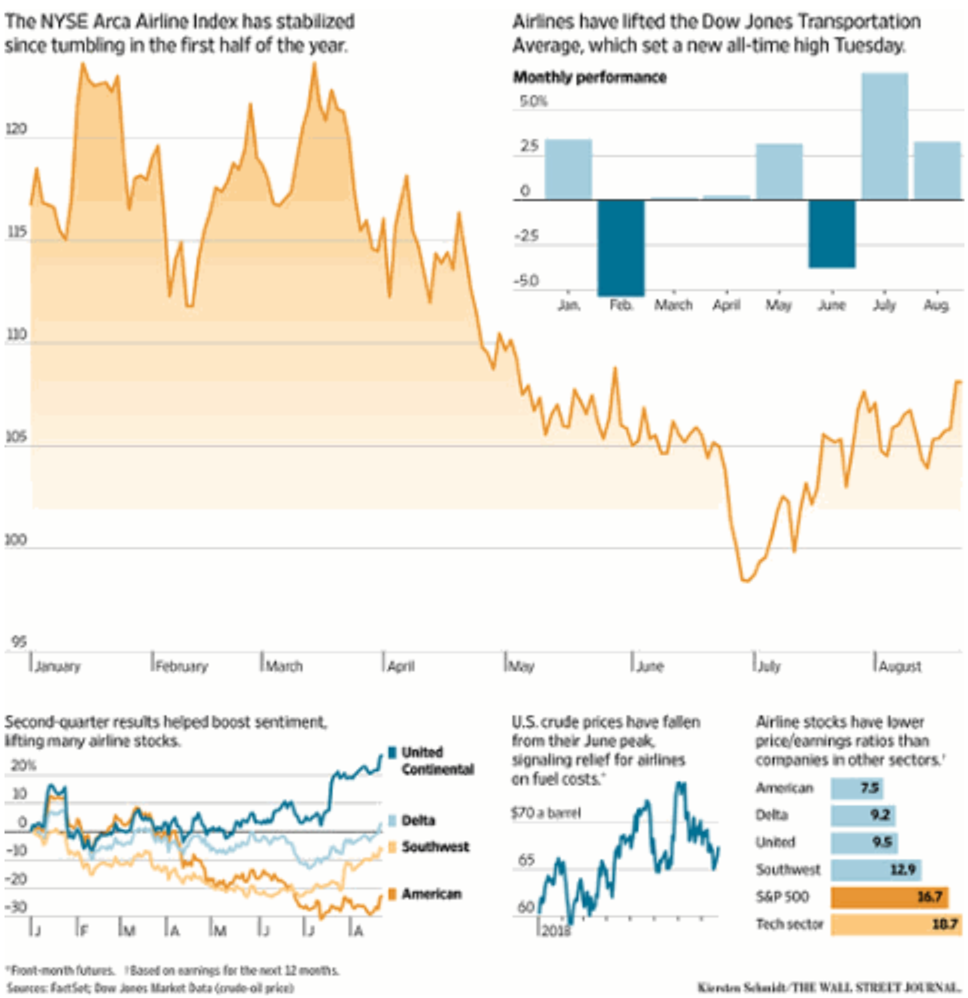
"It gives the market a little more confidence that revenues can improve and offset some of the effect of higher fuel prices," Stifel analyst Joseph DeNardi said.

Lower fuel expenses also could give airline shares a boost. After a monthslong rally that analysts say caught airline companies off-guard, U.S. crude has declined 10% from its June multiyear high, though it is still up nearly 40% in the past year.

Some analysts think higher supply from large producers such as Saudi Arabia could keep a lid on **oil prices**, potentially relieving some cost pressure on big fuel consumers such as airlines.

Despite the sector's recent rise, some investors expect fresh trade developments to loom over transportation shares as tariff negotiations continue. And after months of investor anxiety over capacity, some analysts think investors will want to see sustained share performance and future projections before taking a fresh look at beaten-down airliners.

"While this is an encouraging first step, all eyes will be on 2019 plans," Raymond James analysts said in a note to clients earlier this month.



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THE WALL STREET JOURNAL.

Markets
Global Tech Rally Fractures as Investors Cool on Chinese Firms; Investors' concerns about recent dips in Chinese tech stocks raise uncertainty for sector's continued surge

By Akane Otani and Steven Russolillo
813 words
26 August 2018
12:00 PM
The Wall Street Journal Online
WSJO
English

One of last year's most profitable trades is breaking apart, thwarting expectations for global investors betting on a handful of U.S. and Chinese technology titans' enduring dominance.

For much of the most recent leg of the **bull market**, investors searching for growth piled into shares of a group loosely known as "FAANG-BAT," comprising U.S. tech giants Facebook Inc., Apple Inc., Amazon.com Inc., Netflix Inc. and Alphabet Inc., as well as Chinese firms Baidu Inc., Alibaba Group Holding Ltd. and Tencent Holdings Ltd.

The group of stocks collectively rocketed 62% higher last year, more than tripling the **S&P 500**'s gains. But that trade has begun to fracture in recent months, reflecting escalating trade tensions between China and the U.S., doubts about the global economy's health and uncertainty whether the tech sector's rally has gone too far.

While the U.S. FAANG stocks have continued their surge with a 38% gain this year, the BAT group is down 5.3%, although it remains well above an index of mainland Chinese listed stocks, the Shanghai Composite, which is down 17%.

Some investors are asking whether a pullback in China's tech firms may presage a similar one in the U.S., and if so which stocks might lead the market higher next—as well as whether the longest-ever U.S. stock **bull market** may be on borrowed time.

"The market feasted all of 2017. This year it's been a very different environment," said Matt Forester, chief investment officer of BNY Mellon's Lockwood Advisors. When cracks appear in sectors that have dominated, like technology, "it's difficult to see whether you're seeing a signal or if it's just a correction for what's been a very strong sector of the market."

Technology stocks have continued to power much of the broader market's gains in the U.S., with Apple becoming the first American company to top $1 trillion in market value and Amazon's most recent quarterly profit soaring to a record on the back of its cloud-computing, advertising and retail businesses.

But the biggest Chinese tech stocks have stumbled this year as investors have grown warier of slowing growth, possible government regulation and fractious trade negotiations.

After rising at a more than 40% annualized rate over the 10 years through 2017, Tencent has tumbled 13% this year, at one point wiping out over $175 billion in market value. This month the world's largest videogame publisher by revenue reported a surprise drop in quarterly profit from a year ago for the first time in more than a decade. The restructuring of two regulatory agencies overseeing videogame content in China has delayed game approvals, hurting Tencent's largest business.

"The lesson here is no monopoly is safe in China," says Ben Harburg, a managing partner at MSA Capital, a Chinese venture fund.

It isn't just Tencent that has fallen on tough times. Chinese e-commerce titan Alibaba has dropped 17% from a record high in June and is only slightly higher for the year. Baidu, which operates China's largest search engine, is down 4.2% for 2018.

The declines in global tech stocks strike many investors as long overdue. Global fund managers have identified bets on FAANG-BAT as the most crowded trade in the market for seven straight months, according to a monthly survey conducted by Bank of America Merrill Lynch.

Some investors believe that Chinese tech stocks are simply pausing after a rapid growth spurt and may still continue to climb higher.

"This thing had to cool down at some point and readjust to more rational expectations," said MSA Capital's Mr. Harburg.

Wall Street analysts who cover the Chinese tech giants remain optimistic, with few "sell" ratings among dozens of "buy" ratings. Even though U.S. technology stocks are outpacing their Chinese counterparts this year, they, too, have been more **volatile** in recent months, for instance following disappointing earnings this summer from Facebook, Netflix, Twitter Inc. and Intel Corp.

Yet other analysts warn that investors may be underpricing the risk of divergence more broadly within the markets as global central banks slowly turn off the spigots that have helped risky assets rise higher since the financial crisis.

"The propensity to sell winners is becoming greater as people fear that maybe the top in the market is close," said Nitin Saksena, head of U.S. equity derivatives research at Bank of America Merrill Lynch. "That shift in psychology seems palpable compared to last year."

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Markets
Tencent Woes Help Push Emerging Stocks Toward Bear Market; A rout in the Turkish lira has catalyzed much of the most recent selloff

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Emerging-market stocks are teetering on the edge of a **bear market**, with a selloff in technology shares adding to developing countries' struggles with a rising dollar and trade tensions.

At Wednesday's close in U.S. trading, the widely followed MSCI Emerging Markets Index was down 19.6% from its Jan. 26 high—just a fraction below the 20% drop from a recent peak that typically defines a **bear market**. Overnight, copper fell into a **bear market**, other commodities declined, and U.S. stocks sold off slightly.

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MSCI index is heavily reliant on a few marquee technology companies, with Tencent Holdings Ltd. and Samsung Electronics Co. alone making up roughly 8.6% of the gauge. The two stocks were down by 3% and 2% as they closed Thursday. Late Wednesday, Tencent reported a rare decline in profit and unexpectedly weak quarterly sales.

Chinese, South Korean and Taiwanese stocks make up nearly three-fifths of the index, and major benchmarks in these countries were down 0.3% to 0.8% as Asian trading concluded—suggesting the overall index could hit a **bear market**. A rout in the Turkish lira has catalyzed much of the most recent selloff.

Trevor Greetham, head of multiasset at Royal London Asset Management, said he expected U.S. interest-rate increases, political pressure on trade-sensitive economies and slower Chinese growth would cause long-running problems.

"We…expect to see further trouble in the emerging markets over the next few years," said Mr. Greetham.

The federal-funds rate has been increased twice in 2018 already, and economists expect two more increases before the year is out. That strengthens the dollar, increases the relative attractiveness of U.S. government bonds to investors, and raises debt-servicing costs for emerging markets with U.S. dollar-denominated debt to service.

Optimists say economic fundamentals are good in many developing nations, and the reliance on external investment, as measured by current account deficits, has declined. Likewise, earnings growth is still strong, and falling prices make valuations more attractive.

"While the markets may be pricing in fear and uncertainty, many emerging economies appear to us to be in much better shape than they were during other corrective periods," said Chetan Sehgal, portfolio manager at the Templeton Emerging Markets Investment Trust.

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