

Market Watch

Market Snapshot

Dow rises more than 900 points, books its biggest daily advance in 6 weeks on coronavirus vaccine hope

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Fed's Powell says don't 'bet against American economy' — even as unemployment could rise to 25%



U.S. stocks booked sharp gains Monday, erasing May losses, on optimism that the American economy might be percolating again, while the medical community works toward a potential COVID-19 vaccine.

Support was also tied to remarks by Federal Reserve Chairman Jerome Powell on Sunday night, striking a more upbeat tone on U.S. growth prospects, while reiterating that the central bank still retained tools to limit the economic downturn.

How did benchmarks perform?

The Dow Jones Industrial Average DJIA, +0.36% surged 911.95 points, or 3.9%, to finish at 24,597.37, after briefly advancing 1,000 points. The S&P 500 SPX, +0.37% rose 90.21 points, or 3.2%, to end at 2,953.91. The Nasdaq Composite COMP, +0.65% added 220.27 points, or 2.4%, closing at 9,234.83.

On Friday, the Dow rose 61 points, or less than 0.3%, to 23,685.42, while the S&P 500 rose 11.20 points, or 0.4%, higher to end the session at 2,863.70. The Nasdaq Composite Index closed at 9,014.56 after gaining 70.84 points, or 0.8%.

Monday's rally pushed major indexes into positive territory for the month despite last week suffering the biggest weekly decline since March. The Dow is up 1.5% for the month, while the S&P 500 is 3.2% higher. The Nasdaq added to a monthly rise, bringing it to 6.8%.

What drove the market?

Air traffic appeared to be picking up from recent lows, states have been reopening and drugmaker Moderna announced positive, early results from its first human trial of its experimental Covid-19 vaccine.

Moderna Inc MRNA, +1.10% shares soared 20% Monday after the company released "compelling" early data from a phase-one clinical trial for its experimental coronavirus vaccine, providing a jolt to markets that have been hopeful for a treatment or vaccine for the deadly illness that has stricken more than 4.7 million world-wide so far, according to data compiled by Johns Hopkins University.

"What the market does is it tries to discount ahead. People are now going to anticipate the treatment, and the bets are coming in that we seen an end coming in sooner rather than later," said **Joe Saluzzi**, co-head of equity trading at **Themis trading**, in an interview.

The next step for Moderna is a phase-two trial, which has been approved to move forward by the Food and Drug Administration. The phase-one trial was done in partnership with the National Institute of Allergy and Infectious Diseases.

Stock-market bulls also gained confidence following remarks by the U.S. central bank chief Powell on Sunday and Monday that the Fed would continue to support the economy and financial markets through the viral outbreak.

"While lockdowns (and how to end them) continue to dominate the economic conversation, it seems to me that the stock market has largely shrugged off the damage created by the pandemic-related cessation of economic activity," wrote Kristina Hooper, Invesco's chief global market strategist, in emailed comments Monday. "But that's because of the massive policy response, particularly monetary policy."

In a Sunday interview with CBS' "60 Minutes" program, Powell said that the road to recovery for the U.S. may take a while and consumers may lack conviction until efforts to find a vaccine for the illness derived from the novel strain of coronavirus are successful.

That said, the monetary-policy maker struck a cautiously sanguine tone about the likelihood for a rebound for an economy that has shown signs of the extreme toll taken on it by measures put in place to limit the spread of the pathogen.

"In the long run and even in the medium run, you wouldn't want to bet against the American economy," Powell said during the television interview. He did caution that a second wave of infections could rattle confidence further.

Powell also acknowledged that the unemployment rate could hit as high as 25%, marking levels not seen since the Great Depression. But the Fed boss said that he didn't fear a second depression for the U.S., forecasting that an economic rebound would start to take shape in the second half of the year.

On Monday, Powell reiterated that the Fed's rate-setting committee would use its "full range of tools tool" to aid the economy.

Meanwhile, data on Monday showed Japan's economy, shrank by an annualized 3.4% in the three months ended March 31 after a 7.3% contraction in the previous quarter, meeting the commonly accepted definition for a recession.

Still, plans to restart stalled economies inside and outside the U.S. have continued to act as a support for markets, which have mostly been stuck in a narrow trading range since rising from March 23 bear-market low.

Rising cases in the U.S., however, where there are more than a third of the 4.7 million world-wide infections, has underpinned fitful trade in assets considered risky. Deaths in the U.S. rose above 89,500, more than a quarter of the more than 315,000 world-wide, according to figures from Johns Hopkins.

Which stocks were in focus?

- Tesla Inc. TSLA, +7.55% was given the green light from local officials to resume operations at its Fremont, Calif., auto plant, according to the San Francisco Chronicle in a Sunday report, ending a battle with Alameda County officials, who had barred the opening of factories and manufacturing facilities to slow the spread of coronavirus. Tesla's stock rose 1.8%.
- Shares of American Airlines Group Inc. AAL, +5.81%, Delta Air Lines Inc. DAL, +3.80%, United Airlines Holdings Inc. UAL, +5.06% and Southwest Airlines Co. LUV, +4.73% gained more than 9%, following an upbeat TSA data and analyst commentary added to the optimism that a post-COVID-19 pandemic recovery may have already begun.
- Uber Technologies UBER, -1.37% shares climbed 3.5% despite food-delivery company Grubhub Inc. GRUB, +3.54% rejecting its recent buyout offer from the ride-sharing company. Uber also said it would cut an additional 3,000 jobs.
- SoftBank Group Corp. 9984, +3.32% is in talks to sell a significant portion of its T-Mobile US Inc. TMUS, -0.34% stake to controlling shareholder Deutsche Telekom AG DTEGY, +1.91% as the Japanese technology conglomerate scrambles to raise funds.
- Shares of Moderna MRNA, +1.10% soared 20% after the company's report on its experimental vaccine. The company, after the bell, said it plans to raise more than \$1 billion by selling stock to help fund manufacturing and distribution of its vaccine candidate.
- Hertz Global Holdings Inc. HTZ, -10.97% said Monday it has named Paul Stone as the new chief executive to replace Kathryn Morinello. Its shares closed 20.1% higher.
- Occidental Petroleum Corp. OXY, +6.64% shares gained 9% even after French oil company Total canceled its plan to buy Occidental's assets in Ghana.
- Apple Inc. shares AAPL, +1.23% rose 2.4% after the iPhone maker said it would reopen more than 25 stores this week.
- Shares of General Electric Co. GE, +2.89% charged 14.2% higher Monday, to bounce off the previous session's 29-year low, as part of a broader stock market surge amid investor optimism over the post-COVID-19 scenario.
- Eventbrite Inc. EB, +6.84% shares surged 24.6% Monday after SunTrust Robinson Humphrey analyst Youssef Squali upgraded the stock to buy from hold, calling the stock's 40% drop since last week's earnings an "overreaction."
- Shares of Expedia Group Inc. EXPE, +3.69% gained 18.6% Monday.

How did other markets trade?

U.S. government bond yields rose along with stocks, with the 10-year Treasury note TMUBMUSD10Y, 0.674% rising 10.1 basis points to 0.741%, its biggest daily rise since March 18, according to Dow Jones Market Data. Bond prices move in the opposite direction of yields.

In precious metals, gold futures for June delivery GCM20, -0.08% fell 1.3% to settle at \$1,734.40 an ounce. Meanwhile, crude prices continued to rally as June oil futures US:CLM20 booked an 8.1% gain to end at \$31.82 a barrel, more than a two-month high.

In global equities, the Stoxx Europe 600 index SXXP, 1.45% climbed 4.1%, its largest one-day gain since March 24, while Japan's Nikkei NIK, +1.19% rose 0.5%.

The greenback weakened against a basket of its major rivals, with the ICE U.S. dollar index DXY, -0.18% trading down 0.8%.

Sunny Oh contributed reporting