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U.S. Stocks Rebound From Weekly Slide as Brexit Concern Eases

By Oliver Renick
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U.S. stocks surged, with the S&P 500 Index jumping the most in four weeks, after the latest polls showed the U.K. campaign to remain in the European Union is gaining ground before Thursday's referendum.

The rebound in equities was led by consumer discretionary shares, which rose the most in more than three months, boosted by gains of at least 1.8 percent in Amazon.com Inc. and Priceline Group Inc. Banks and industrial companies advanced amid a steep climb in Treasury yields and drop in the dollar. Wells Fargo & Co. and Goldman Sachs Group Inc. rose more than 2 percent. Utilities, one of the strongest performers this year, was the only one of the benchmark index's 10 main groups to retreat.

The S&P 500 climbed 1.2 percent to 2,096.77 at 11:27 a.m. in New York, erasing a 1.2 percent slide last week. The Dow Jones Industrial Average rallied 226.75 points, or 1.3 percent, to 17,901.91, on pace for the strongest gain in more than three months. The Nasdaq Composite Index increased 1.7 percent, rebounding from the lowest since May 23. The CBOE Volatility Index, a measure of market turbulence known as the VIX, tumbled 13 percent, the most since March.

"We're kind of going back to that risk-on again -- it's more an unwind of the panic we saw last week in the VIX up at 22 and the bond-buying, and it seems to be because of what's changing in the vote," **Mark Kepner**, a managing director and equity trader at Themis Trading LLC in Chatham, New Jersey, said by phone. "The market was starting to prepare for a Brexit and it seems the polls in the U.K have changed since late last week."

A poll published over the weekend showed 45 percent of voters supported the 'Remain' camp, while 42 percent were in favor of a so-called Brexit -- a turnaround from early last week, when a slew of surveys put the latter group ahead. Odds at betting shops also suggested dwindling support for the 'Leave' camp following Thursday's murder of U.K. lawmaker Jo Cox, who backed staying in the EU.

The S&P 500 is recovering Monday after falling in six of the past seven sessions, a stretch that followed a climb to within 0.6 percent of its all-time high on June 8. The benchmark posted its worst weekly retreat since April amid global anxiety that Britain will choose to secede and central banks' efforts to boost growth are losing their potency.

Valuations stuck above the three-year average and four quarters of falling profits have also added to the recent hurdles for stocks. The S&P 500 sprang back near 2,100 today, a level that's proved difficult to hold above in other rallies during the past year, after closing Friday 2.8 percent from its record set 13 months ago.

The Fed last week signaled a cautious approach to future rate increases, scaling back its projections for the next two years. Yellen and her fellow policy makers reiterated rates are likely to rise at a "gradual" pace. The Fed chair will testify on monetary policy before lawmakers Tuesday and Wednesday in a semiannual report. Traders have cut back their bets on higher borrowing costs, pricing in less than even odds for an increase as late as February 2017.

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“Last week, the positioning got a little bit too bearish, and now we are seeing a readjustment of that,” said Michael Hewson, a market analyst at CMC Markets in London. “People are talking about the slight shift in the betting odds with respect to this week’s U.K. vote. Brexit is a risk, but is it going to bring the global economy crashing down? No. When you get stretched too far in one direction, don’t be surprised it’s like an elastic band -- you pull it, pull it, pull it, and it snaps.”

In Monday’s trading among the S&P 500’s 10 main industries, consumer discretionary, industrial and financial companies rose at least 1.4 percent. Consumer staples and phone companies were the only groups to climb less than 1 percent, while utilities fell 1 percent.