

# MarketWatch

## Nasdaq settles at fresh record after dovish testimony by Fed Chairman Powell

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Fed chair says risks of trade policy uncertainty and slowing global growth are rising



Reuters

*Federal Reserve Chairman Jerome Powell*

The Nasdaq COMP, +0.60% index closed at a record on Wednesday's close, while the U.S. benchmark S&P 500 briefly topped the 3,000 milestone for the first time, after Federal Reserve chairman Jerome Powell indicated interest rates cuts may be imminent in the face of some weakening economic data.

*How are the major benchmarks faring?*

The Nasdaq Composite Index COMP, +0.60% gained 60.80 points, or 0.75%, closing out the session at record 8,202.53. The Dow Jones Industrial Average DJIA, -0.22% added 76.71 points, or 0.29%, at 26,860.20, while the S&P 500 index SPX, +0.05% closed 13.44 points higher, or 0.45%, to 2,993.07.

At session highs, the Dow rose 199.96 points, or 0.7%, to 26,983.45, while the S&P added 22.26 points, or 0.8% to 3,002.89 and the Nasdaq advanced 86.87 points, or 1.1% to 8,228.60. Those intraday highs marked new records for all three benchmarks.

Investor sentiment turned slightly less bullish in the wake of the new intra-day index highs after the release of Federal Reserve minutes from its June meeting, which showed a Fed ready to act to support the U.S. economy.

**"You don't want too much bad news, where you think the economy is faltering," said Joseph Saluzzi, co-head of equity trading at Themis Trading, in an interview with MarketWatch.**

**"You see the Fed minutes and think maybe things are a little bit worse," he said. "Maybe people are getting a little nervous about corporate earnings."**

Still, stocks broadly rallied after the publication of Powell's remarks before the House Financial Services Committee in which the Fed Chairman emphasized rising risks to the U.S. economy from trade policy and slowing global growth, as well as falling price inflation.

Powell noted that while the U.S. jobs market remains robust and consumer spending appears set to rebound, business investment has slowed considerably, along with housing investment and manufacturing output.

"Our baseline outlook is for economic growth to remain solid, labor markets to stay strong, and inflation to move back up over time to the Committee's 2 percent objective," Powell said in prepared remarks. "However, uncertainties about the outlook have increased in recent months. In particular, economic momentum appears to have slowed in some major foreign economies, and that weakness could affect the U.S. economy."

"A rate cut in July is now all but certain," Aberdeen Standard Investments senior global economist, James McCann, wrote. "The strength of last week's jobs number did lead some to think that the Fed may pause for thought. It's clear from [Powell's testimony] that they won't."

"There's an element here of the Fed wanting to take pre-emptive action," he added. "From an inflation perspective, the picture certainly seems sour enough to warrant a reaction. But from a growth perspective, there's nothing in the data that suggests a rate cut is strictly necessary."

Powell began taking questions from members House Financial Services Committee at 10 a.m. Eastern Time, after which stocks pared some of their gains. The move was likely a case of "buy the rumor, sell the news," given that a July cut was "already being priced into the market," said Brent Schutte, chief investment strategist at Northwestern Mutual Wealth Management in an interview with MarketWatch.

While Powell's statement seemed to confirm that the Fed will cut interest rates in July, questions remain as to the magnitude of the cut, or plans for further reductions in interest rates during the remainder of the year.

Read: Could the Fed surprise the stock market by skipping a July rate cut? It's not out of the question

See: 'Bad news is good news' for the stock market right now —here's how that could end

Investors are also expected to keep an eye on renewed U.S.-China trade talks, though there remains little sign of significant movement, analysts said.

Also read: Trade-policy tensions put stock market on 'thin ice,' says J.P. Morgan's top strategist

China's Commerce Ministry said the country's top trade negotiator, Vice Premier Liu He, conducted a phone call with U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin, according to Reuters.

*Which stocks are in focus?*

Shares of MSC Industrial Direct Co. MSM, +0.56% closed 3.76% lower after fiscal third-quarter profit and revenue missed expectations and the company provided a downbeat outlook, while boosting its dividend by 19%.

T-Mobile US Inc. TMUS, -0.14% will replace Red Hat Inc. in the S&P 500, S&P Dow Jones Indices said after the close of trade Tuesday, following the completion of IBM Corp.'s IBM, -0.50% acquisition of Red Hat. T-Mobile shares rose 4.6% Wednesday.

Levi Strauss & Co. LEVI, -2.63% released second-quarter earnings Tuesday evening, reporting declining earnings that fell lower than analyst expectations. Shares fell 12% Wednesday morning.

U.S.-traded shares of Nio Inc. NIO, +0.65% fell 0.01% Wednesday, after the China-based, electric-car maker's stock neared its best six-day gain since going public last September.

Shares of Tesla Inc. TSLA, +17.36% rose 3.85% Wednesday after a report that the company is planning a production capacity increase at its Fremont, California factory.

*How are other markets trading?*

The yield on the 10-year U.S. Treasury note TMUBMUSD10Y, -1.24% rose slightly to 2.065%.

Stocks in Asia closed mixed on Wednesday, with Japan's Nikkei 225 NIK, +0.55% losing 0.2%, Hong Kong's Hang Seng Index HSI, +0.87% rising 0.3% and China's Shanghai Composite Index SHCOMP, -0.02% and Shenzhen Composite index 399106, -0.13% retreating 0.4% and 0.5%, respectively.

European stocks were trading lower, with the Stoxx Europe 600 closing down 0.2%.

In commodities markets, the price of crude oil US:CLQ19 added 2.8%, while gold US:GCQ19 advanced 1.35%. The U.S. dollar DXY, +0.15% meanwhile, fell 0.4% against a basket of its peers.