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MARKETS

U.S. Stocks End Slightly Higher

Escalating trade rhetoric and downbeat manufacturing readings weighed on stocks for most of the day, but shares reversed course late in the session

By Riva Gold and Allison Prang

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U.S. indexes swing higher

Tech stocks best performers in S&P 500

Global manufacturing slows

U.S. stocks turned higher in the final hour of trading Monday, led by technology stocks.

Major indexes spent much of the session in the red as escalating trade rhetoric and downbeat manufacturing readings curbed appetite for risk. The Dow Jones Industrial Average dropped as much as 194 points before turning modestly higher. Technology stocks, which have powered the market in 2018, led the charge again with Facebook, Apple and Google parent Alphabet climbing more than 1%.

Trading volumes, meanwhile, were relatively light in a holiday-shortened week.

The Dow industrials inched up 36 points, or 0.1%, to 24307. The S&P 500 climbed 0.3%, while its tech sector gained 1%. The tech-heavy Nasdaq Composite rose 0.8%.

Stocks have searched for direction in recent sessions as trade rhetoric between the U.S. and its partners ramps up. Analysts pointed to continued uncertainty around global trade as a catalyst for Monday's moves but also noted the tariffs are relatively small in size.



President Trump boarding Air Force One as he departs for Joint Base Andrews, Md., on Sunday. PHOTO: ERIC THAYER/REUTERS

President Donald Trump said he sees his threat to impose global auto tariffs as his biggest weapon to extract concessions from trading partners, as his administration studies a proposal to impose 20% levies on imported vehicles. China, meanwhile, fulfilled a pledge to slash tariffs on imported cars Sunday, but Beijing is preparing to slap an additional 25% tariff on U.S. auto imports this Friday.

Many investors expect the effects of a shake-up in trade to spread far beyond the auto sector, however, as the Trump administration already has imposed steel and aluminum duties.

“It’s very difficult to isolate quite specifically the winners and losers because the global supply chain is so integrated,” said Talbot Babineau, chief executive of Toronto-based hedge fund IBV Capital.

Still, “we don’t think this is going to escalate to any point of economic destruction,” he said, noting current tariffs make up a small percentage of global trade and the negotiations might result in a more open Chinese economy.

As investors worry over trade tensions and grapple with the political environment, they aren’t willing to hold stocks overnight, said Rich Guerrini, president and CEO of PNC Investments, noting the market has had strong days only to lose gains later.

Mr. Guerrini also seconded Mr. Babineau’s point and said he thinks the tariffs are likely small in scope. “The market is trading on news, and I think that the unknown is probably the bigger driver,” he said.

Seven of the 11 sectors in the S&P 500 ended the session higher. Shares of energy firms in the index declined 1.6% as oil prices slumped

Shares of biopharmaceutical firm MiMedx Group fell 39% after two of the company’s top executives resigned after the firm had to restate years of financial results.

Disappointing readings on global manufacturing added to the downbeat tone, analysts said. Manufacturing activity in the eurozone slowed in June, and by slightly more than previously reported, data firm IHS Markit said Monday, warning about production curbs ahead.

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Confidence among Japan’s large manufacturers weakened for a second consecutive quarter in the three months to June amid growing concerns about the potential impact of trade friction, according to a central-bank survey, while a private gauge showed growth in China’s manufacturing sector slowed in June.

“We’ve seen a bit of a slowdown in manufacturing globally—there are concerns uncertainty created by trade can just exacerbate that,” said John Stopford, head of multiasset income at Investec Asset Management.

That said, “a lot of people are now pessimistic, positioning is less long, investors are more cautious, and typically that’s not a bad environment [for markets] as long as the underlying fundamentals hold up,” Mr. Stopford said.

The Stoxx Europe 600 fell 0.8%, while markets in Japan and South Korea posted their biggest losses in three months.

South Korea’s Kospi fell 2.3%, led lower by energy, materials and industrial companies. Japan’s Nikkei Stock Average fell 2.2% amid weakness in consumer stocks. Both notched their biggest daily losses since March.

The Shanghai Composite Index fell 2.5% to its lowest close since early 2016, when fears about the Chinese economy led to a global selloff in stocks. Investors have been concerned that Beijing’s tough stance on deleveraging hasn’t changed, pressuring the stock market.

In currencies, the WSJ Dollar Index, which tracks the dollar against a basket of 16 others, climbed 0.5%.

— *Shen Hong and Nina Adam contributed to this article.*

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