

**BUSINESS & FINANCIAL OVERVIEW**

## Stocks close at best levels in nearly 2 months as Fed seen taking dovish stance

U.S. stocks rallied to close higher Wednesday, with the Dow Jones Industrial Average reclaiming the 25,000 level for the first time in over a month, after scoring a boost from solid corporate results and a seemingly accommodative Federal Reserve.

The Dow Jones Industrial Average DJIA, +1.77% rose 434.90 points, or 1.8%, to end at 25,014.86, pulling back from a high 25,109.10. The S&P 500 index SPX, +1.55% advanced 41.05 points, or 1.6%, to 2,681.05 and the Nasdaq Composite Index COMP, +2.20% climbed 154.79 points, or 2.2%, to 7,183.08. All three benchmarks closed at their highest levels since at least Dec. 6, according to Dow Jones Market Data.

The Fed held rates unchanged at a range of 2.25% to 2.50%, as widely expected, but dropped its longstanding reference to “further gradual” rate hikes. Instead, it emphasized that it will be “patient as it determines what future adjustments to the target range for the federal-funds rate may be appropriate to support these outcomes.” The central bank also said it would adjust the rate of its balance-sheet runoff, and may even consider ending it.

The rate decision as well as the verbiage was widely anticipated by the financial markets, partly due to a belief among some investors that the Fed cannot be too hawkish in the wake of the stock market selloff in December amid signs of slowing global economy. The market had kicked off the day on a buoyant mood as investors mostly cheered the latest round of earnings reports, starting with result from Apple and Advanced Micro Devices Inc. late Tuesday and continuing with Boeing Wednesday. The aircraft maker issued an upbeat outlook for 2019 and far surpassed Wall Street’s revenue expectations, further boosting market sentiment.

Technology stocks advanced after Apple produced results that weren’t as bad as feared, though the iPhone maker saw a sharp decline in revenue for the holiday quarter and a weaker-than-expected sales outlook for the current quarter. Market participants have taken the results in stride, given an earlier warning from Chief Executive Tim Cook, and focused on improving performance in the tech giant’s services business. Gains in the broader tech market also were bolstered by a sharp gain for Advanced Micro Devices following an upbeat forecast.

Meanwhile, U.S.-China trade talks resumed Wednesday as federal prosecutors accused Huawei of violating U.S. sanctions on Iran and of intellectual property theft which had obviously angered the Chinese government. Huawei has denied the allegations.

“More important than the Fed’s promise to be ‘patient’ about raising rates is the Fed’s assertion that it will not hesitate to make changes to balance sheet normalization. The balance sheet is a far more powerful tool, and one that has a bigger impact on the stock market,” said Kristina Hooper, chief global market strategist at Invesco.

“We can look at how stocks behaved during quantitative easing as a guide: stocks went up and volatility went down. We’ve seen the opposite as the Fed has ramped up balance sheet normalization, so the notion that the Fed may scale back balance sheet normalization is likely to tamp down volatility and help push up stocks.” said

