

BUSINESS & FINANCIAL OVERVIEW

Stocks close mostly higher as S&P 500 has best January since 1987

U.S. stocks closed mostly higher Thursday, with the S&P 500 notching its best January in over three decades, after the Federal Reserve signaled that rate increases are on pause and that its next policy move will depend on economic data.

The Dow Jones Industrial Average DJIA, +0.26% slid 15.19 points to 24,999.67, while the S&P 500 SPX, +0.09% rose 23.05 points, or 0.9%, to 2,704.10. The Nasdaq Composite Index COMP, -0.25% meanwhile, advanced 98.66 points, or 1.4%, to 7,281.74.

For the month, the S&P 500 climbed 7.9% for its best January since 1987, while the Dow rose 7.2%, its best January since 1989. The Nasdaq had its best January since 2001 on the back of a 9.7% monthly gain.

The Fed said it would be “patient” with interest rates at the conclusion of its two-day gathering on Wednesday, implying that it may be at the end of its rate-hike campaign. The central bank further surprised investors by issuing a separate statement regarding its \$4 trillion balance sheet, indicating an unwind of that asset portfolio could end sooner than expected. The Fed cited market turbulence as one key consideration for its softer tone.

The market interpreted Chairman Jerome Powell’s remarks after the decision as a sign of a more accommodative posture, at least for the moment, as long as no other unforeseen factors, including a sluggish global economy, spook policy makers. Meanwhile, the release of corporate quarterly results continued, with some three dozen S&P 500 components announcing earnings reports in the busiest day of the busiest week of earnings season.

In trade, market observers were watching developments between the U.S. and China as officials there attempted to forge the framework toward a resolution of tariff disputes in the final day of this round of negotiations. President Donald Trump tweeted that no final deal would be made “until my friend President Xi, and I, meet in the near future to discuss and agree on some of the long standing and more difficult points.”

The number of Americans submitting new applications for unemployment benefits rose by 53,000 to 253,000 during the final week of January, the Labor Department reported Thursday. That’s well above consensus expectations of 216,000, per a MarketWatch poll of economists, though the spike was likely due in part to seasonal factors that will fade.

Wage growth accelerated in the fourth quarter of 2018, with compensation costs rising 2.9% year-over-year, the fastest pace in 11 years, the Labor Department said Thursday. The Chicago purchasing managers index for January came in at 56.7, down from 65.4 in December.

New home sales in November rose to a seasonally adjusted annual rate of 657,000, up from 562,000 in October, above economists expectations of 563,000 new homes, per a MarketWatch poll.

