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MARKETS | U.S. MARKETS

Dow Surges Nearly 550 Points

Election results remove one source of angst, as a split Congress will make radical policy changes less likely, analysts say

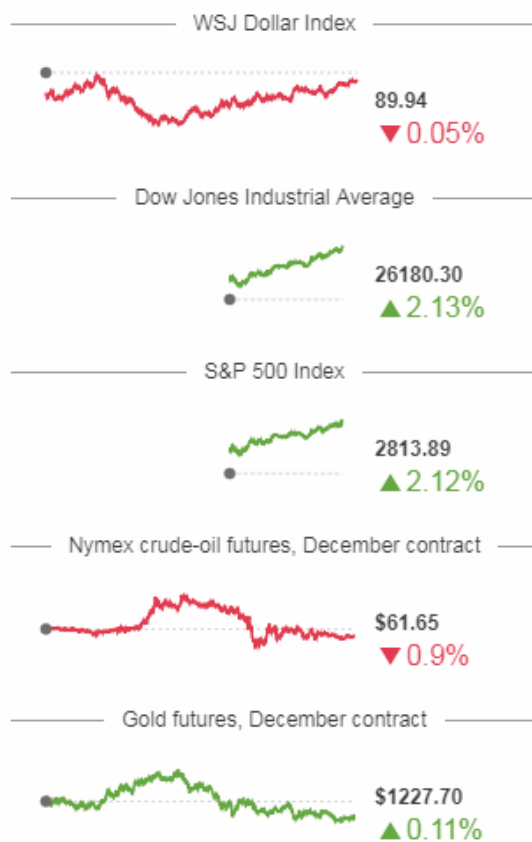
By *Amrith Ramkumar*

30 COMMENTS

Updated Nov. 7, 2018 4:20 p.m. ET

The Dow Jones Industrial Average surged nearly 550 points Wednesday as U.S. stocks extended a recent rebound, advancing as a congressional power divide eased worries about swift policy changes that could hurt large companies.

Trading day as of 4:49 p.m. ET



Uncertainty about the elections was one factor driving October's stock-market rout, with some investors anxious that radical economic policy changes could hurt corporations benefiting from tax reform and an emphasis on deregulation. Democrats claiming a majority in the House of Representatives and Republicans retaining control of the Senate soothed some of those fears, analysts said, sparking a broad-based market rally.

Twenty-nine of the 30 Dow industrial stocks climbed, putting the blue-chip index about 2.5% off its October record. All 11 S&P 500 sectors posted gains, moving the benchmark roughly 4% off its record. Both indexes have risen in six of the past seven sessions, a quick turnaround from a brutal selloff that left the S&P 500 and Dow teetering on the edge of correction territory two weeks ago.



While some sectors directly affected by Tuesday's results such as health care led the indexes higher, a rally in recently battered technology and internet stocks was another sign of rejuvenated investor confidence.

"We've had clients across the board call in and ask where to put their money," said Tom Stringfellow, president and chief investment officer of San Antonio-based Frost Investment

Advisors. "Investors aren't making any mass movement trying to get out of the markets, but they're really looking for something to buy in this environment."

Mr. Stringfellow and other money managers say they have been directing clients to buy shares of technology, consumer discretionary and energy stocks—all sectors that had been battered by the October selloff but still present strong profit growth opportunities in the quarters ahead.

"It's still a selective market, but one that is a heck of a lot cheaper than earlier in the year," Mr. Stringfellow added.



Here are three key issues that could provide common ground for Democrats and President Trump, despite a split Congress. Photo: Getty

The Dow industrials rose 2.1% to 26180. The S&P 500 climbed 2.1%, also logging one of its best sessions of 2018. The tech-heavy Nasdaq Composite climbed 2.6% and, like the Dow and S&P 500, notched its highest close in about three weeks.

Shares of [Amazon.com](#), Google parent [Alphabet](#), [Microsoft](#) and [Netflix](#) each added at least 3.5%.



A voter waiting to get a ballot at a polling station in Hillsboro, Va., on Tuesday. PHOTO: ANDREW CABALLERO-REYNOLDS/AGENCE FRANCE-PRESSE/GETTY IMAGES

Despite Wednesday's climb, many investors were questioning what catalysts could continue powering stocks higher, with anxiety about slowing global economic growth and rising interest rates continuing to hang over the nine-year-old bull market.

Few analysts expect the Federal Reserve to announce another rate increase following the conclusion of its latest two-day meeting Thursday, but the central bank is expected to raise borrowing costs again in December and several times in 2019.

Mixed trade signals also are still baffling many investors ahead of a planned meeting between President Trump and President Xi Jinping of China at the Group of 20 leaders summit in Buenos Aires later this month. And projections for slowing revenue growth from technology stocks also continue to loom large.

"It's the trend that needs to be the focus for investors to identify where things are going as the impact of the tax cuts wanes next year," said Peter Lazaroff, co-chief investment officer at Plancorp. "I don't know that we're going to get a lot of answers on these uncertainties in the next month or so."

Still, some analysts expect sectors directly affected by Tuesday's election results to continue gyrating.

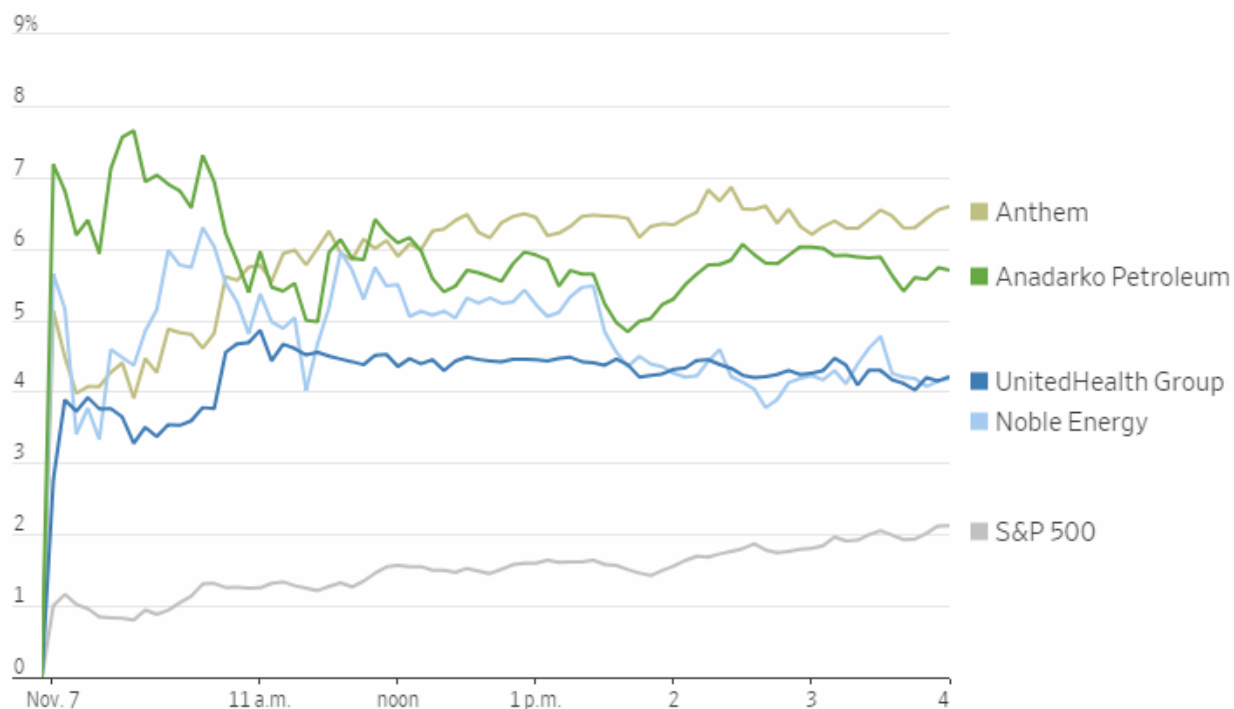
The election results eased concerns that health-care policies might shift and hurt insurers while state ballot initiatives that expanded Medicaid payments in Idaho and Nebraska also stoked investors' interest.

"One part of Trump's agenda was to repeal the Affordable Care Act. Now that there's a Democratic House, we know that's not going to happen, so health care, particularly hospitals and insurers, will do well in this scenario," said Kristina Hooper, chief global market strategist at Invesco.

In California, a proposal that would have limited how much clinics could ask customers to pay for dialysis treatment was defeated, giving way to a 10% surge in shares of [DaVita](#), a medical-care services company.

Leading the Way

Health-care and energy companies were among the S&P 500's best performers Wednesday.



As of Nov. 7, 4:00 p.m. ET

Source: SIX

Although U.S. crude fell for an eighth consecutive session and is near a bear market, energy stocks in the S&P 500 climbed 1.6% after voters in Colorado rejected a measure to curb drilling in most of the U.S.'s seventh-largest oil-producing state.

Sellers of everything from guns to cannabis also rose on expectations that Tuesday's results won't threaten their businesses.

Many analysts are now increasingly looking to trade policy for the next event that could shift the calculus for investors hoping to protect gains or limit losses heading into the end of the year.

Cautious comments from executives about tariffs are one reason companies in the S&P 500 that are beating earnings targets aren't seeing the typical bounce in their share prices, according to FactSet.

Benjamin Lau, chief investment officer of Irvine, Calif.-based Apriem Advisors, is wagering that a resolution to the monthslong tariff fight between the U.S. and China could reinvigorate global growth. He has been buying stocks in the technology, health-care, industrial and financial sectors.

"Getting rid of that overhang would be a major boost," he said. "That is the big unknown for a lot of companies right now."