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Dow rises 150 points, erases a 600-point drop in wild session

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The [Dow Jones Industrial Average](#) traded higher on Thursday, erasing steep losses a day after posting a historic surge.

The 30-stock index traded 157 points higher after plunging 611 points earlier in the day. The [S&P 500](#) held 0.5 percent higher after sliding more than 2 percent. The [Nasdaq Composite](#) traded 0.2 percent higher after dropping more than 3 percent.

"You went from \$200 million to sell [at the close] which was less than expected. That started the early rally. Now there's over \$2 billion to buy," said Art Cashin, director of floor operations at UBS. "They thought were going to be huge sellers, now they're huge buyers."

Earlier in the day, stocks fell amid renewed tensions between China and the United States.

Reuters reported, citing three sources familiar with the situation, that President Donald Trump is considering an executive order to ban U.S. companies from using equipment built by [Chinese firms Huawei and ZTE](#). This executive order would come at a time when the two largest world economies are trying to strike a permanent trade deal. Earlier this month, China and the U.S. agreed to a 90-day grace period to come up with an agreement.

"The uncertainty will continue to weigh on the market," said Dave Campbell, principal at BOS. "I think that's going to help drive the volatility as we roll forward because I don't think it's going to be a clean path to an agreement or some kind of resolution."

"China has recognized they're a little more vulnerable in this trade negotiation with the U.S. because they have more at stake than the U.S. does, from a bilateral stance," Campbell said. "I think there will be a resolution, but it's going to be a rocky path, which to me means a lot more volatility both up and down."

Shares of trade bellwethers like Caterpillar, Boeing and Deere all fell more than 1.5 percent.

This decline comes after a historic surge on Wall Street. On Wednesday, the Dow rallied to close more than 1,000 points higher, its biggest single-day point gain ever.

"Just when everyone had counted the market down, the market bounded back," John Carey, a portfolio manager at Amundi Pioneer, told CNBC on Thursday. He described the Wednesday bounce on Wall Street as "very positive" and also "quite surprising."

"I think it has to do with valuations, we got to a point where the market had sold off about 20 percent and price-to-earnings multiples had come down on the S&P from the low 20s to 15-16 times earnings and all of a sudden people looked around and thought stocks might be a good buy," Carey said.

Wednesday's gain also marked the biggest upside move on a percentage basis for the Dow since March 23, 2009, when it rose 5.8 percentage points. The S&P 500 and Nasdaq also notch their best gains since March 23, 2009.

However, investors remained hesitant to call Wednesday's lows a bottom.

Benjamin Lau, chief investment officer of Apriem Advisors, said this market is "completely emotionally driven," adding: "When the trend gets like this, it's hard to say when it will end."

The Cboe Volatility index, considered the best gauge of fear in the market, is trading at 32.33, even after Wednesday's massive rally.