Bloomberg

U.S. Stocks Pare Gain as Treasury Yields Weaken: Markets Wrap
2019-05-30 14:55:07.932 GMT

By Jeremy Herron and Vildana Hajric (Bloomberg) -- U.S. stocks faltered in an attempt to halt a two-day sell-off that took major indexes to multi-month lows, as Treasury yields headed back toward 18-month lows.

The S&P 500 struggled to retake the 2,800 level after closing below it for the first time since March. Chipmakers that bore the brunt of trade-war selling remained higher, while other industries trimmed advances. A fresh batch of economic data suggested the expansion was on firm footing before the Trump administration escalated the trade war earlier in May. U.S. equities have plunged 5% in the month. The 10-year Treasury yield was at 2.26% after falling as low as 2.21% Wednesday, while the dollar traded at a five-month high.

"Yields are relatively flat on the 10-year. That's leading a bit to the rally in the stock market. We're relieved," said Benjamin Lau, chief investment officer of Irvine, California-based Apriem Advisors. "The big question for a lot of people right now is where do yields go from here? Are they going to continue to plunge lower or will they flatten out here?"

Turbulence in stocks and the march lower in bond yields this week suggest investors are increasingly coming to terms with an uncertain outlook for markets. The possibility that Beijing may cut exports of rare-earth minerals, along with signs that U.S.-EU talks aren't going anywhere meaningful, are adding to trade tensions. Meanwhile, bond markets are flashing a warning, with the yield gap between three-month and 10-year Treasuries, often watched as an early signal of pending recession, sliding to a 2007 low Wednesday.

"What's going on in Treasury markets is ultimately a repricing of growth expectations," John Bilton, head of global multi-asset strategy at JPMorgan Asset Management, said on Bloomberg TV. "We don't see a recession coming in the next 12 months even allowing for the yield-curve inversion we've seen, typically that's a signal that has a long lead time."

The Stoxx Europe 600 climbed, led by media firms, a day after posting its biggest drop in nearly three weeks. Asian markets were mixed, with Shanghai edging lower as China notched a fresh escalation of the tariff war by putting U.S. soybean purchases on hold.

Elsewhere, oil traded around $59 a barrel after the release of an industry report showing a much bigger-than-expected drop in U.S. crude stockpiles.