

FWA DJ S&P 500 Hits New Record After Hot Inflation Data -- WSJ

22839003485:FWA:20240312

By David Uberti

The latest reading of U.S. inflation was hotter than economists expected but cooler than many investors feared. That lifted stocks Tuesday.

Companies from chip makers and software providers to big-box retailers and pharmaceutical giants helped pull all three major indexes higher. The Dow Jones Industrial Average climbed 0.6%, or about 236 points, while the tech-heavy Nasdaq Composite rose by 1.5%. The S&P 500 added 1.1%, marking its 17th record high of 2024.

The gains came despite a Labor Department report showing consumer prices rose 3.2% in February from a year earlier, another installment in a string of recent data suggesting inflation remains stubbornly high. Even so, many investors continue to believe the Federal Reserve remains on track to cut interest rates later this year, reducing borrowing costs for businesses and, potentially, boosting stocks.

Traders are now assigning a roughly 60% chance that the central bank begins cutting rates in June, according to futures markets.

"The Fed has already quashed the market's expectation of a March rate cut anyway," said Charlie Ashley, a portfolio manager at Catalyst Funds, referencing next week's policy meeting. "The only way this [reading] was going to be important is if it was scorching hot."

Treasury yields rose, erasing last week's declines, after the government's latest issuance of debt inspired lackluster interest from investors. The benchmark 10-year Treasury note yield, which rises when prices fall, edged higher to 4.154%.

In the stock market, every member of the so-called Magnificent Seven logged gains, with Nvidia's more than 7% advance leading the pack of tech stalwarts. Demand for artificial intelligence helped Oracle's earnings trump expectations, leading to a share-price pop of 12%.

Shares in Archer Daniels Midland rose 3.9% after the grain merchant said an internal accounting investigation didn't affect its overall earnings. The manufacturing conglomerate 3M rose 5% after it appointed William Brown, former leader of L3Harris Technologies, as its next chief executive.

Southwest Airlines said it was re-evaluating its financial guidance, citing in part delayed aircraft deliveries from Boeing. Southwest's stock slid 15%, the steepest decline in the S&P 500, while American and United airlines also fell.

Boeing shares faded by 4.3%. Spirit AeroSystems, maker of the fuselage involved in the Alaska Airlines blowout, also slipped.

Later this week, Dollar Tree and Dollar General will report earnings that

could provide snapshots of how low-income Americans have weathered price pressures in recent months. The Labor Department on Thursday will publish February's producer-price index, an inflation gauge for companies that manufacture goods.

Investors in recent weeks have grown more confident that the U.S. economy can avoid a recession as Washington completes its inflation fight. The optimism is fueling a 2024 rally that has expanded beyond the massive tech firms that propelled the stock market higher last year. The equal-weighted S&P 500, which measures each company equally rather than by its market capitalization, reached a record last week.

While the Russell 2000 wavered Tuesday, the index is up about 9.8% over the past three months.

"The valuations [in small-cap stocks] are just much more fair than what we're seeing in large-caps," said Mike Reynolds, vice president of investment strategy at Glenmede. "We think there's a catch-up trade to be had."

Bitcoin traded for about \$71,395 around 4 p.m. Tuesday, down slightly after notching an all-time high.

Sam Goldfarb and Joe Wallace contributed to this article.

Write to David Uberti at david.uberti@wsj.com

(END) Dow Jones Newswires

March 12, 2024 16:41 ET (20:41 GMT)

Copyright (c) 2024 Dow Jones & Company, Inc.