

MARKETS | U.S. MARKETS

U.S. Stocks Climb as Earnings Season Kicks Off

New York banks, including JPMorgan Chase and Goldman Sachs, report results

By Anna Isaac and Karen Langley

Updated Oct. 15, 2019 12:16 pm ET

U.S. stocks climbed Tuesday as investors cheered strong results from banks and health-care companies at the unofficial start of the third-quarter earnings season.

The outlook for profits had dimmed in recent months, with Wall Street analysts lowering earnings expectations for all sectors of the S&P 500. But UnitedHealth Group, Johnson & Johnson and JPMorgan Chase --all components of the Dow Jones Industrial Average--kicked off the reporting period with a shot of optimism.

Overall, analysts expect earnings for companies in the broader S&P to drop 4.7% for the quarter, according to FactSet.

The Dow Jones Industrial Average gained 267 points, or 1%. The three stocks together added 167 points to the index. The S&P 500 rose 1.1%, led by the health-care sector. The Nasdaq Composite added 1.2%.

Shares of UnitedHealth Group rose 7.9% after the company posted third-quarter results that beat expectations and raised its profit guidance for the year. That spurred a rally in shares of other health insurers that had been battered by political headwinds this year ahead of the 2020 election.

RELATED

- Stocks to Watch: JPMorgan Chase, Citigroup, Wells Fargo, Uber, Harley-Davidson, SmileDirectClub
 - Fed's James Bullard Cites Risk of Slowing Economy
 - Chinese Inflation Surges as Pig Prices Fly High
 - EU Chief Negotiator Says Brexit Deal Is Still Possible This Week
-

Johnson & Johnson shares added 2% after the company raised its financial forecast for the rest of 2019, despite grappling with a

heavy case load of litigation.

In the banking sector, shares of JPMorgan Chase, the nation's largest bank by assets, rose 4% after the bank beat profit expectations. The company continued to see strength in both its consumer and investment-bank businesses. Net interest income rose, despite the Federal Reserve cutting interest rates in recent months.

"That's a sigh of relief after a lot of consternation going into the earnings season around banks in general," said Andy Braun, a portfolio manager at Pax World Funds.

Goldman Sachs Group shares, by contrast, dropped 0.5% after the bank reported a drop in profit, hit by a slowdown in deal-making and losses on the bank's stakes in companies.

As investors continue to look for fresh signs about the future course of interest rates, Federal Reserve Bank of St. Louis President James Bullard said Tuesday in London that the U.S. Federal Reserve could cut its key interest rate again to cushion the economy against threats to growth. The U.S. economy is slowing and faces a number of "downside risks" that could require a further "insurance" move from policy makers, Mr. Bullard said.

The yield on the U.S. 10-year Treasury was little changed, dropping to 1.746% from 1.748%

Friday. The bond market was closed Monday for Columbus Day.

Meanwhile, equities across Europe posted tepid gains as investors continued to try to assess the probability of the U.S. and China ending the trade war after both sides said last week that they'd made progress toward a partial deal. The pan-continental Stoxx Europe 600 gauge rose 1.1%.

Newsletter Sign-up

“Markets are fairly muted because this should actually be viewed as a cease-fire rather than a deal,” said Edward Park, deputy chief investment officer at Brooks Macdonald Asset Management. The only major progress was that the U.S. shelved additional tariffs that had been scheduled to go into place this week, he said.

In Asia, Chinese stocks fell as fresh economic data added to concerns about weaker growth prospects and the government's ability to strike a trade agreement with the U.S.

The Shanghai Composite gauge dropped 0.6% as



Shares rose of JPMorgan Chase, among the banks reporting quarterly earnings Tuesday. PHOTO: DANIEL ACKER/BLOOMBERG NEWS

official data showed inflation reached a near six-year high last month, driven by rising pork prices. This comes amid signs of slowing growth and trade tensions for the world's second-largest economy.

“China's not going to change its core economic policy to placate Washington, be it on intellectual property or similar,” said Rory Green, an economist at investment research firm T.S. Lombard. “They are accepting slower growth, they are not going to do a big credit stimulus as we've seen in the past; markets are slowly realizing that.”

Write to Anna Isaac at anna.isaac@wsj.com