

Stocks Pare Gains Amid Hawkish Fedspeak, Earnings: Markets Wrap
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By Rita Nazareth

(Bloomberg) -- Stocks almost wiped out gains as traders weighed hawkish Fedspeak, with swaps now pricing in a 5% peak policy rate in the first half of next year. The pound rose after Liz Truss resigned as UK prime minister.

A rally in the S&P 500 faded after Philadelphia Fed President Patrick Harker said officials are likely to raise interest rates to "well above" 4% this year and hold them at restrictive levels to combat inflation, while leaving the door open to doing more if needed.

Traders also sifted through a mixed bag of corporate earnings, with Tesla Inc.'s sales disappointing and International Business Machines Corp. surging on a bullish forecast. Several market observers remarked that the bar has been lowered quite a bit ahead of the current earnings season, boosting the odds of upside surprises. It's also worth pointing out that there's been no shortage of warning signals about the economy when it comes to corporate outlooks.

Alcoa Corp. -- which is a dependable barometer of US economic health across industries including construction, automotive, aerospace and consumer packaging -- said demand for the world's heavy industries is falling. Union Pacific Corp., the largest US freight railroad, cut its forecast for volume growth to reflect a "challenging year."

As traders waded through corporate results, "with an extra eye on guidance, expect volatility to remain elevated," said Mike Loewengart at Morgan Stanley Global Investment Office. Sterling climbed to about \$1.13 and the yield on 10-year gilts was near levels before the mini-budget was announced last month. The FTSE 250 Index rallied as much as 1.2%. Many investors predicted the next UK prime minister will restore calm and make policy decisions that bring stability back to markets. Some traders said markets will be volatile until a replacement is named.

Key events this week:

* Euro area consumer confidence, Friday

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Some of the main moves in markets:

Stocks

- * The S&P 500 was little changed as of 12:09 p.m. New York time
- * The Nasdaq 100 rose 0.6%
- * The Dow Jones Industrial Average rose 0.4%
- * The Stoxx Europe 600 rose 0.3%
- * The MSCI World index rose 0.1%

Currencies

- * The Bloomberg Dollar Spot Index fell 0.3%
- * The euro rose 0.4% to \$0.9808
- * The British pound rose 0.4% to \$1.1262
- * The Japanese yen was little changed at 149.87 per dollar

Cryptocurrencies

- * Bitcoin was little changed at \$19,191.89
- * Ether was little changed at \$1,294.39

Bonds

- * The yield on 10-year Treasuries advanced four basis points to 4.17%
- * Germany's 10-year yield advanced three basis points to 2.40%
- * Britain's 10-year yield advanced three basis points to 3.91%

Commodities

- * West Texas Intermediate crude rose 0.4% to \$85.85 a barrel
- * Gold futures rose 0.6% to \$1,643.60 an ounce

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