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U.S. Stocks Rise as Apple Extends Rally, Energy Shares Rebound

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(Bloomberg) -- U.S. stocks rose from a two-month low, led by gains in Apple Inc. and energy producers, while a raft of data did little to alter perceptions on the strength of the world's largest economy and the timing for higher interest rates.

Apple rallied for a fourth day to the highest this year, buttressing the major indexes for a second session on continued optimism over the prospects for its new iPhone. Apple supplier Skyworks Solutions Inc. rose 5.9 percent and Intel Corp. gained 1.5 percent to lead chip stocks higher. Oil and gas companies rebounded from the worst two-day drop since June. Wells Fargo & Co. fell 2.2 percent after reports that the Justice Department is investigating its sales practices.

The S&P 500 Index rose 0.6 percent to 2,139.05 at 11:14 a.m. in New York, after closing at the lowest since July 7 yesterday. The gauge erased a decline after nearing its average price during the past 100 days, a level that has served as a floor since Friday's selloff. The Dow Jones Industrial Average added 101.97 points, or 0.6 percent, to 18,136.74, with Apple carrying about a quarter of the gains. The Nasdaq Composite Index increased 1 percent.

"There's nothing in these numbers that tells us rates should be heading up," **Mark Kepner**, managing director and equity trader at **Themis Trading LLC** in Chatham, New Jersey, said by phone. "Retail sales weren't great and there's nothing here that says the economy is about to pick up steam."

A report today showed sales at U.S. retailers dropped more than forecast in August, indicating a pause in recent consumer-spending strength that has carried the economy. A separate gauge showed output at American manufacturers also fell more estimated, a sign the industry is having trouble finding its footing. Jobless claims barely rose last week, according to another reading, indicating employers remain comfortable with staffing levels.

Traders are pricing in an 18 percent chance of a rate increase at the Fed's meeting on Sept. 21, down from 34 percent at the start of the month and 20 percent before today's data. Odds for a December hike are 50 percent, down from 59 percent a week ago.

The latest data did little to assuage concerns that the economy is still struggling to gain traction. At the same time, speculation has mounted over whether central banks still have ammunition to spur growth. Stocks have been whipsawed since since last Friday amid conflicting signals from policy makers on how soon rates might rise.

That has broken the market out of a summer torpor, with the S&P 500 posting three consecutive moves more than 1 percent after going 43 sessions without one. The benchmark has lost 2.3 percent since hitting a record a month ago, with most of the losses happening in the past week as commodity producers, consumer-staples and phone companies sank.

The CBOE Volatility Index fell 9.1 percent Thursday to 16.49, after reaching its highest level since the U.K. secession vote in June. The measure of market turbulence known as the VIX is still on pace for its biggest monthly jump since August 2015.