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Dow and S&P hit record closing highs

STOCK WATCH BY TOM CALANDRA

NEW YORK: Wall Street gained yesterday, with the S&P 500, Dow industrials and Russell 2000 setting record closing highs, as technology stocks bounced back and investors positioned for an expected Federal Reserve interest rate increase.

The S&P 500 technology sector rose 0.9 per cent, recovering from its biggest two-day decline in nearly a year that also weighed on the broader market. Big tech names, such as Microsoft and Facebook, pushed the S&P 500 higher.

"I think the fall the last two days has been due to psychology not to any fundamentals, and now you're seeing some people step back in and buy again," said Chase Investment Counsel president Peter Tuz. "Fundamentals look good."

Tech has led the benchmark S&P 500's 9pc rally this year, and its recent swoon has sparked speculation that investors may be rotating into other swaths of the market that have lagged in 2017, such as financials and energy.

Financials gained 0.4pc yesterday, while energy gained 0.7pc. Materials were the top gaining sector, rising 1.3pc.

Yesterday's market action reflected "a continuation of running up some of the areas that have not participated over the course of the last few months, in combination with some speculation that the Fed is going to be more resolute about raising rates than investors had begun to anticipate in the bond market," said Key Private Bank chief investment strategist Bruce McCain.

The Dow Jones Industrial Average rose 92.8 points, or 0.44pc, to 21,328.47, the S&P 500 gained 10.96 points, or 0.45pc, to 2,440.35 and the Nasdaq Composite added 44.90 points, or 0.73pc, to 6,220.37.

Traders are overwhelmingly expecting an interest rate increase when the Fed concludes its two-day meeting today.

Financials, which tend to benefit when rates are rising, also climbed after the US Treasury Department announced a plan to upend the country's financial regulatory framework, which would grant many items on Wall Street's wishlist.

In corporate news, Cheesecake Factory shares fell 9.9pc after the restaurant chain warned of a decline in comparable store sales.

Advancing issues outnumbered declining ones on the NYSE by a 2.39-to-1 ratio; on Nasdaq, a 1.89-to-1 ratio favoured advancers.

About 6.4 billion shares changed hands in US exchanges, below the 6.8bn daily average over the last 20 sessions.

Short-dated US Treasury yields briefly hit multi-week highs yesterday after new data showed rising US services prices, but the market was barely changed after a strong 30-year debt auction ahead of today's Federal Reserve decision on interest rates.

The Labour Department said prices for services rose 0.3pc in May, driven by a 1.1pc surge in the index for final demand trade services, which measures changes in margins received by wholesalers and retailers.

US three-year Treasury yields hit 1.511pc, their highest since May 16, while two-year yields touched their highest in a month of 1.367pc.

Yields eased from their session highs and were last roughly unchanged from their levels as of late Monday, with three- and two-year yields last at 1.503pc and 1.363pc, respectively.

Traders likely viewed more costly services as a harbinger of stronger May consumer price index data, which is set for release today.

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■ Khaleeji Commercial Bank organised a training workshop on secure coding in co-operation with the Checksum Consultancy. The workshop was organised in line with the bank's keenness to enhance the theoretical and practical knowledge of its employees responsible for the protection of payment card data, whether credit or ATM, through the adoption of advanced systems and modern programmes related to the development and maintenance of financial services and applications.

UK inflation jump puts BoE on spot

LONDON: British inflation unexpectedly jumped to its highest level in nearly four years in May, tightening the squeeze on consumers and complicating the job of the Bank of England (BoE), which has signalled it is in no hurry to raise interest rates.

British households are turning increasingly cautious about their spending due to the mix of low wage growth and rising inflation. And now they face the added worry of political uncertainty after last week's inconclusive election.

The impact of the fall in the pound since last year's Brexit vote made itself felt in yesterday's inflation data as the higher cost of foreign holidays and imported computer equipment and video games helped push up consumer prices by 2.9 per cent, year-on-year.

That was its biggest increase since June 2013, the Office for National Statistics (ONS) said, and was above the median forecast of 2.7pc in a poll of economists.

It is also faster than pay growth for most people, who have suffered an income squeeze for most of the past decade.

Data due today is likely to show basic pay was up by an annual 2pc in the three months to April, according to another poll.

"The BoE is in an increasingly difficult position," BNP Paribas economist Dominic Bryant said.

The BoE has said it will tolerate inflation above its target of 2pc because, so far, there has been no knock-on effect on pay, which could generate a longer-lasting inflation problem.

However, inflation is rising more quickly than the bank was expecting, amid signs of a sharp slowdown in the British economy in early 2017.

Bryant said the BoE's interest rate setters might choose to use a policy statement tomorrow to remind investors that they could move sooner to raise borrowing costs than the 2019 date that economists are mostly expecting.

On the other hand, Britain's political turmoil may make the BoE more cautious about considering a rate increase, and some economists have said it could even revive its massive bond-buying programme if the economy weakens further.

Inflation has picked up speed around the world but in Britain there is extra pressure from the fall in sterling, which contributed to the slowdown in economic growth this year.

Credit card firm Visa said on Monday it had seen the first annual fall in consumer spending in nearly four years in May.

The BoE might take some comfort from some of yesterday's data, which showed inflationary pressures might be easing.

Input prices for factories fell by 1.3pc in month-on-month terms in May, taking the yearly rate of price growth down to 11.6pc from a downwardly revised 15.6pc in April, its slowest annual growth rate since last September.

Growth in prices charged by factories held steady at an annual 3.6pc.

■ Members of the Bahrain Chapter of The Institute of the Chartered Accountants of India have elected a new executive committee for the year 2017-18. A meeting of the association held at the Golden Tulip Hotel saw Uday Shanbhag being elected chairman with S Sridhar as his deputy. Santhosh T V as secretary and Maheshkumar Narayan as treasurer are the other main office-bearers with Venkat Rao being the joint secretary and Palaniswamy the joint treasurer. The executive committee also includes Subhashree S, Ankur Lalaji, Sthanamurthy V, Mayank Tharad and Venkat Bathini as members. Above, Mr Shanbag, seated, centre, and Mr Sridhar, seated, second from left, with other members of new executive committee.

GM boosts self-driving car output

DETROIT: General Motors Company says it has built 130 self-driving Chevrolet Bolt electric cars at a factory in suburban Detroit, making it among the first carmakers to mass produce self-driving vehicles.

GM has been building self-driving Bolts at its Orion assembly plant in Orion Township, Michigan, since January. Unlike GM's earlier self-driving test vehicles, the new cars were built on the same assembly line as regular Bolts.

The new cars will join 50 self-driving Bolts with older technology that are already being tested in San Francisco; Scottsdale, Arizona; and the Detroit area.