

WALL STREET

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US stocks finish higher as Federal Reserve takes a liberal view on rising inflation

US stocks reversed direction to close higher on Wednesday, buoyed by the Federal Reserve's decision to let inflation run for a bit before introducing a modest interest rate hike, which is now expected to come in June.

Released at 2 in the afternoon, the monthly minutes from the Federal Reserve suggest that the central bank's chairman Jerome Powell is taking a calm approach to rising inflation and will simply pursue a moderate interest rate rise as has been widely forecast.

By the closing bell, the Dow Jones Industrial average had changed direction to finish up 52.4 points, led higher by Intel, McDonalds and Merck.

The S&P 500, meanwhile, added close to 9 points to 2,734 while the tech-heavy Nasdaq added almost 48 points to 7,425 on the back of wins from Netflix, Align Technology and Intuit.

Up in Toronto, the TSX bucked the trend and fell 11 points to 16,133 while the Russell 2000 index of small cap companies added two points to finish at 1,627.

Earlier in the day, the markets traded in the red as a pair of political factors upset its performance.

First, President Trump rattled investors with an early morning tweet suggesting the US-China trade talks are "too hard to get done" and that negotiations could move in another direction.

Our Trade Deal with China is moving along nicely, but in the end we will probably have to use a different structure in that this will be too hard to get done and to verify results after completion.

— Donald J. Trump (@realDonaldTrump) May 23, 2018

The statement by Trump flew in the face of US Treasury secretary Steve Mnuchin's announcement last weekend that the world's two largest economies had put the looming threat of a trade war "on hold" after trading barbs and counter barbs about trade sanctions.

The second reason for the market's initial downward bent were worries about the release of the Federal Reserve's monthly minutes. An overwhelming concern for investors is that rising interest rates will push up borrowing costs and hit corporate profits.

On the roll call of laggards today was Target, which shed close to 6%, after blaming poor weather for missing its estimates for first-quarter earnings. Shares of Hewlett-Packard Enterprise Co (NYSE:HPE), the information tech company, also slumped by 11% as investors were left disappointed by its fiscal second-quarter earnings.

Another poor performer was GE, which lost 7.3% after its chief executive John Flannery forecast that there would be no profit growth from GE's power business this year.

Comcast shares also fell by 2% after the cable group announced it was in the final stages of preparing a rival bid to top Disney's for a great portion of 21st Century Fox's assets. Disney shares also dropped 1.2% on the revelation.

On the list of winners, meanwhile, was Tiffany & Co, which jumped 23%, after the historic New York jeweler handily beat

Share Information

MarketTopic Synopsis:

A look at the US markets.

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