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Stocks Jump After the Fed Gives Wall Street What It Hoped For

Dow notches record, breaching 37000 for the first time

By [David Uberti](#) [Follow](#)

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Federal Reserve Chair Jerome Powell left the possibility of more rate hikes on the table, but markets paid little attention. PHOTO: BRENDAN MCDERMID/REUTERS

Investors searched for hints Wednesday on whether the Federal Reserve might begin cutting interest rates next year. The central bank didn't disappoint.

Stocks hovered near the flatline throughout the trading session until Fed members unanimously voted to hold rates steady and signaled that they could begin easing monetary policy next year. While Chair Jerome Powell left the possibility of additional hikes on the table, markets paid little attention.

The S&P 500 and tech-heavy Nasdaq Composite rose 1.4% apiece. The Dow Jones Industrial Average breached 37000 for the first time, settling at an all-time high of 37090.

Driven by Walgreens Boots Alliance and Home Depot, the Dow's gains Wednesday of 512 points, or 1.4%, propelled it above its Jan. 4, 2022 record. The 2022 mark was before the Fed tried to tame inflation with a rapid-fire cycle of rate increases to 22-year highs.

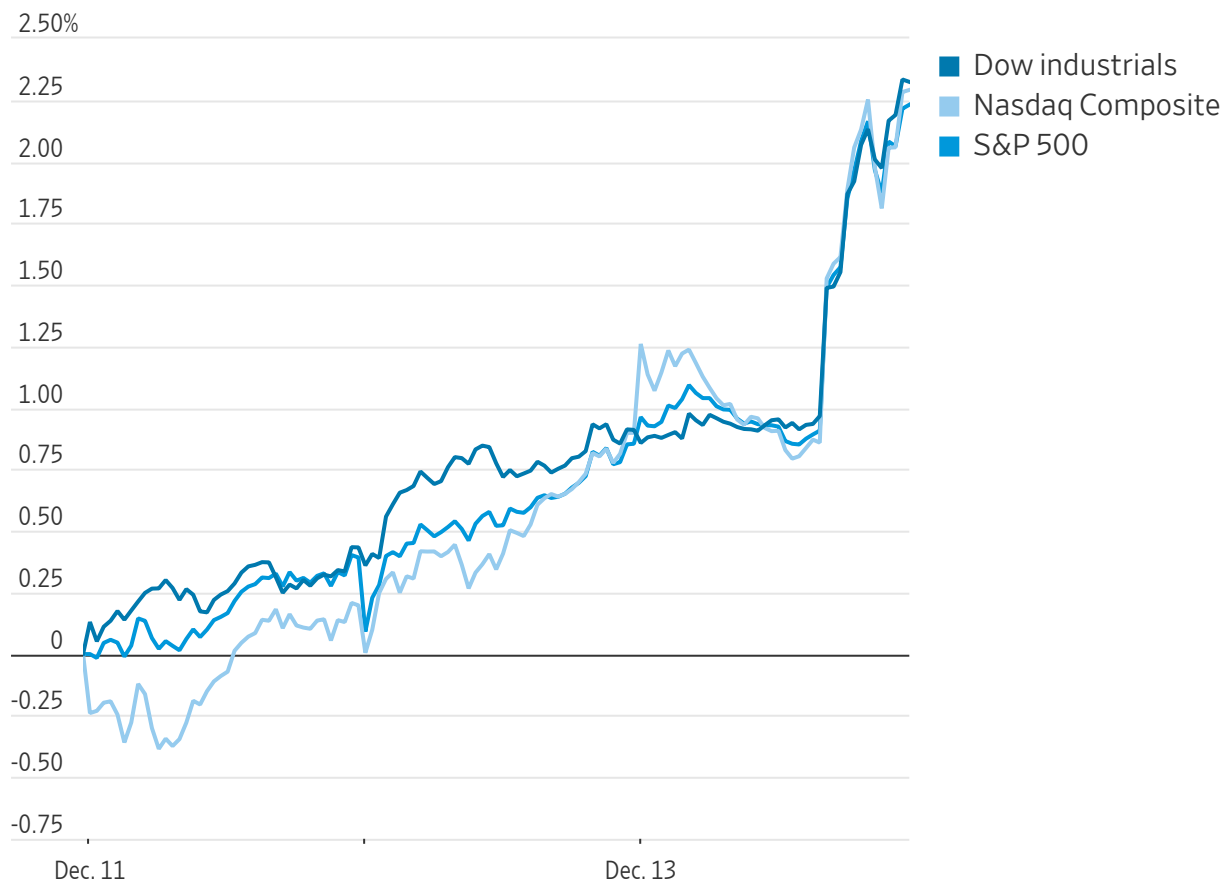
The stock market's climb reflects Wall Street's growing optimism that the U.S. economy can continue muscling through tighter monetary policy without big disruptions. All three major indexes are on track for their seventh-consecutive weekly gains.

Rosier expectations for next year have helped power a late-year rally in 10-year Treasury prices that help set borrowing costs for companies across industries. Yields on the benchmark bond, which rise as prices fall, touched 5% just weeks ago. Now, they are about a full percentage point lower, closing Wednesday at 4.032%.

The bond market's U-turn has given investors more confidence in stocks outside of the huge technology companies that have powered this year's rally. Case in point: Real estate and utilities were the best-performing sectors of the S&P 500 Wednesday.

"It has been a one-trick-pony market," said Nicholas Galluccio, portfolio manager of the Teton Westwood SmallCap Equity Fund. "The market has started that broadening and that closure of the valuation gap between the haves and have-nots."

Index performance



Source: FactSet

The Russell 2000 also outpaced its counterparts, rising 3.5%, propelling the small-cap index to a 14% gain over the past month.

“Anything less than a recession will be a continued catalyst for this momentum to carry over into 2024,” Galluccio said, adding that he expects firms including smaller semiconductor suppliers and regional banks to reap the benefits.

Big banks also got in on the action Wednesday, with Goldman Sachs, Bank of America and Charles Schwab all advancing more than 2%.

Although the so-called “Magnificent Seven” companies behind much of this year’s rally lagged behind the broader market for much of Wednesday, the Fed’s decision aided a late-afternoon rebound for many of them. Apple led the pack with a 1.7% gain, pushing its share price to a record high.

Drugmaking giant Pfizer was the S&P 500’s worst performer Wednesday, falling 6.7%, after the company warned revenue could fall next year alongside waning demand for Covid-19-related products. The company has struggled to get aboard the obesity-treatment bandwagon.

Shares in the online marketplace Etsy slid 2.2%, enough to drag the stock 30% lower this year, after the company said it would cut about 225 employees and take a restructuring charge.

Benchmark U.S. crude futures rose 1.25%, to \$69.47 a barrel, but still sit nearly 26% lower than their late-September highs as traders parse a market with more than enough oil.

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