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Stocks Look to Rebound, Elevated Bond Yields Hold Firm, Oil Rises—and What Else Is Happening in the Stock Market Today

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Markets are pricing in three or four interest-rate increases from the Federal Reserve this year.
Dreamstime

Stocks were rebounding Wednesday as the recent rise in bond yields paused. Investor focus is now turning to earnings.

Futures for the Dow Jones Industrial Average indicated an open 46 points, or 0.1%, higher, after the index fell 543 points Tuesday to close at 35,368. Futures for the S&P 500 signaled a start 0.2% into the green, while the tech-heavy Nasdaq Composite was poised to rise 0.2%. The S&P 500 and Nasdaq dropped 1.8% and 2.6% Tuesday, respectively.

"U.S. stock futures are bouncing modestly after yesterday's steep selloff as the surge in bond yields is showing signs of pausing," wrote Tom Essaye, founder of Sevens Report Research.

The 10-year Treasury yield is essentially flat at 1.88%, where it closed Tuesday. It had risen from a Friday close of 1.79% and has surged from 1.51% to close 2021. This comes as stubbornly high inflation has prompted the Federal Reserve to plan interest rate hikes and a reduction of its balance sheet this year.

Tech stocks have gotten hammered as bond yields soared. Higher bond yields make future profits less valuable—and many tech companies are investing to create sizable profits many years into the future. The Nasdaq fell as much as 9.7% from its all-time high hit in late November, before bouncing back Wednesday.

With bond yields settling down—for the moment—earnings reports have a chance to bring stocks higher.

"With a market trading at elevated multiples, earnings growth is essential as there will likely be little to no multiple expansion in 2022," wrote Richard Saperstein, chief investment officer of Treasury Partners.

Over the next three weeks, more than 300 S&P 500 companies will report fourth-quarter earnings, according to Credit Suisse. So far, about 8% of the index's market capitalization has reported and companies are already beating earnings estimates; the aggregate earnings result has been almost 6% above expectations, with about three quarters of companies topping forecasts.

Earnings for some of those high-profile tech names, specifically, will trickle in. Through February 1, Netflix (ticker: NFLX), Microsoft (MSFT), Tesla (TSLA), Apple (AAPL), Alphabet (GOOGL) and PayPal (PYPL) will report.

Overseas, London's FTSE 100 was 0.5% higher as markets shrugged off data showing U.K. consumer-price index inflation jumped 5.4% year-over-year in December—the highest level in three decades. In Asia, Tokyo's Nikkei 225 dropped 2.8%, matching the Nasdaq's Tuesday tumble.

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In the commodity space, oil continued its steady march higher, well into seven-year high territory. Recent supply concerns amid geopolitical tensions have helped support prices, and the outlook from the International Energy Agency (IEA) is strong. The IEA said Wednesday that global demand for crude is expected to exceed prepandemic levels this year.

Futures for West Texas Intermediate crude rose 0.8% to above $86 a barrel.

Here are three stocks on the move Wednesday:

Luxury stocks Richemont (CFR.Switzerland) and Burberry (BRBY) surged after earnings. Richemont shares jumped 8% in Zurich trading after the company reported strong growth amid high demand, with sales rising by 32%. Burberry lifted 6% in London after it increased its full-year profit outlook to 35% growth, from 19%, after sales accelerated in the last quarter.

Pharma group GlaxoSmithKline (GSK) was down 1.5% in the U.S. premarket after announcing its chief scientific officer, Hal Barron, would leave his role in August to take the role of CEO at private U.S. biotech firm Altos Labs.

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