

Daily Wraps

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US stocks close higher after lower oil inventories, oil shy of \$50 a barrel

US stocks closed higher on Wednesday, thanks to a drop in weekly oil inventories which propelled oil prices just shy of the \$50 a barrel mark.

The bourse bellwether S&P 500 index closed 0.7% higher at 2,090, while the S&P Midcap 400 was 0.7% higher at 1,481.

The S&P Smallcap 600 advanced by 0.6% to 697 and the wider small-cap Russell 2000 index was 0.5% higher at 1,141.

The US oil benchmark, the West Texas Intermediate ended up 2.2% at \$49.70.

Midsession

US stocks extended gains at midsession on Wednesday from earlier this week, with local crude stocks declining far more than expected last week as energy groups continued to cut back on drilling in response to persistently low oil prices and imports decreased.

Crude inventories dropped by 4.2m barrels last week, the Energy Department said, far more than the 1.6m barrel draw analysts anticipated. Oil imports also averaged 7.3m barrels a day last week, down by 362,000 barrels from the previous week.

Oil prices have nearly doubled since mid-February's nadir. The West Texas Intermediate, the US gauge, was up 0.6% at \$48.91.

Among stocks, the S&P 500 and 400 were dominated by gains for Hewlett Packard Enterprises and Computer Sciences Corp, respectively. Computer Sciences Corp (NYSE:CSC), gained as it was announced it would be acquiring Hewlett Packard Enterprise Co's (NYSE:HPE) information technology services business.

The bellwether S&P 500 was up 0.6% at 2,088, led by gains for Hewlett Packard Enterprise, up 8.5% to \$17.63, followed by a rash of energy stocks including Transocean (NYSE:RIG), Southwestern Energy (NYSE:SWN), and Chesapeake (NYSE:CHK).

Meanwhile, the S&P Midcap 400 was up 0.5% at 1,478, and led by Computer Sciences Corp, up a whopping 34.5% to \$47.95 - making some wonder who was taking over whom.

The S&P Smallcap 600 was up 0.5% at 697 and closing in on 700 - a figure it has only surpassed once this year, towards the end of April.

Late on Tuesday, Jeffrey Gundlach, the chief executive officer of DoubleLine Capital, told Reuters that the rally in US stocks, which began on Monday, feels like a short squeeze.

The fund manager said the S&P 500 had "gone nowhere" since the start of 2015 and it was at best 50-50 whether the Fed raises rates in June while Chair is dove Janet Yellen.

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US blue chips got off to a flyer, boosted by news from Europe and a resurgent oil price.

The S&P 500 was up 13 points, or 0.6%, at 2,089 after half an hour or so of trading, taking its lead from European markets, which have been lifted by news of another Greek bail-out deal that is set for sign off by the 19 members of the eurozone.

Mid-caps, as measured by the S&P 400, were also going well, with the index up six points (0.4%) at 1,478.

The feel-good factor was less pronounced in the cheaper seats, with the small-cap benchmark, the Russell 2,000 index, up three points (0.2%) at 1,138.

Energy stocks were wanted as the price of crude hit a seven-month high, after the American Petroleum Institute's oil inventories numbers, released yesterday afternoon, surprised the market.

The API said stockpiles fell by 5.1mln barrels last week.

The US Energy Information Administration is set to release its data on oil inventories later today.

The news lifted the price of West Texas Intermediate to \$49.38 a barrel, up 77 cents on the day.

Chesapeake Energy Corporation (NYSE:CHK), up more than 8%, was the pick of the energy firms while oil rig leasing outfit Transocean Ltd (NYSE:RIG), up 5.5%, was also buoyed by the news.

On the New York Stock Exchange Computer Sciences Corp (NYSE:CSC), up a third, was the top performer as it was announced it would be acquiring Hewlett Packard Enterprise Co's (NYSE:HPE) information technology services business.

Hewlett Packard Enterprise rose almost 11% on the news.

On Nasdaq, Innocoll Holdings PLC (NASDAQ:INNLL) topped the tree with a near 50% rise after its collagen-based post-operative painkiller, Xaracoll, passed its final trial.

Preview

After yesterday's handsome gains, US stocks are set to press higher again today, following the lead of European markets.

European stocks have raced ahead after another Greek bail-out deal was prepared for sign off by the 19 members of the eurozone.

Spread betting quotes point to a 70 point rise to 17,776 at the outset for the Dow, and a nine point increase at 2,085 for the S&P 500.

The controversial Monsanto Company (NYSE:MON) has decided that \$62bn is not enough and has rejected German drugs giant Bayer AG's bid for the company.

The seeds firm has not totally closed the door on the Germans, indicating it is willing to start talking turkey at a higher price.

Hewlett Packard Enterprise Co (NYSE:HPE) shot up more than 11% in pre-market reading as it confirmed last night it is to spin off its information technology services business.

In this morning's announcements, high-end jeweler Tiffany & Co (NYSE:TIF) failed to sparkle with its first quarter update.

The company reported its sharpest year-on-year sales decline in six quarters. The company said it expected full-year profits would be down on last year by a mid-single digit percentage.

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