14 Jul 2017 14:08 GMT **DJ Stocks Pause Following Weak U.S. Data**

By Riva Gold

-- J.P. Morgan, Wells Fargo, Citigroup fall after earnings

-- Dollar, bond yields edge lower following weak inflation data

-- Stock markets quiet in U.S., Europe and Asia

U.S. stocks paused near record highs Friday and bond yields ticked lower following weak data on retail sales and inflation.

Gains in stocks that pay out steady dividends offset a drop in shares of financial companies following a slew of bank earnings reports.

The S&P 500 rose 0.2% in recent trading, even as the financials sector dropped 1%. The Dow Jones Industrial Average added 17 points, or 0.1%, to 21570 and the Nasdaq Composite rose 0.3%.

Inflation in the U.S. was flat in June, according to the latest reading of the U.S. consumer-price index, which measures what Americans pay for everything from apples to haircuts. The index, which is closely watched as it is perceived as critical to the Federal Reserve's next move, was unchanged from the prior month, according to the Labor Department.

In another lackluster reading on the U.S. economy, retail sales decreased in June from the prior month, the Commerce Department said Friday.

Treasury yields ticked lower following the two readings, with the yield on the 10-year Treasury note down to 2.298% from 2.330% ahead of the data. The WSJ Dollar Index, which tracks the dollar against a basket of 16 currencies, extended losses and was recently down 0.5%.

Fed Chairwoman Janet Yellen on Thursday said a strong labor market and rising prices of imported goods supported her expectation that a recent downturn in inflation would prove transitory. Federal Reserve Bank of Dallas President Robert Kaplan suggested Thursday, however, that he likely needs to see higher inflation before supporting another rate rise.

The second-quarter earnings season for U.S. banks kicked off Friday with reports from J.P. Morgan Chase, Wells Fargo, Citigroup and PNC Financial Services Group.

Shares of J.P. Morgan fell 1.8% even after the biggest U.S. bank by assets beat analysts' forecasts for earnings and revenue. Wells Fargo shares dropped 2.2% after it reported its revenue rose slightly less than expected, while Citigroup lost 0.4% after reporting a 3% drop in second-quarter profit on a slowdown in trading.

Shares of PNC were little changed as the regional bank topped estimates for earnings and revenue.

Investors' expectations for banks' future performance had risen recently. After a rocky few months, U.S. bank stocks have climbed nearly 6% in the last three weeks after clearing the Federal Reserve's stress tests -- which allowed many to boost their payouts -- as well as expectations that a gradual climb in interest rates will improve their lending income. Financial funds received the biggest influx of money among sectors for a second week running this week, according to EPFR Global.

"Higher dividends and stock buybacks, and a gradually rising rate environment -- that is supportive," said David Hendler, founder at Viola Risk Advisors, noting banks that have a strong ability to generate loans and don't have too much exposure to securities that are highly sensitive to changes in interest rate are likely to fare best.

The financials sector is expected to report the third-highest earnings growth in the S&P 500 in the second quarter at 6%, although that rate falls to 2.8% excluding the insurance industry, according to FactSet.

Investors will be watching the banks closely. "They provide a solid read-through on what's happening in the underlying economy," said ***Jason Ware***, chief investment officer at Albion Financial Group.

"Looking at their lending portfolios is critical to understanding what is going on in the economy. Understanding what is happening on their trading desks gives you a good read on where the wind is blowing in financial markets," he said.

In European stocks, London's FTSE 100 index edged down 0.1% as the British pound strengthened modestly against the dollar, weighing down the export-heavy index.

Earlier, markets in Asia mostly ended slightly higher, as Thursday's climb in oil prices helped lift shares of energy companies. U.S.-traded crude oil was last up 0.4% at $46.24 a barrel, on track to end the week more than 4% higher.

"There have been some clear signs demand has risen globally...suggesting the glut is evaporating slowly," said Stuart Ive, client adviser at OM Financial.

Japan's Nikkei Stock Average edged up 0.1%, while Korea's Kospi, coming off two consecutive record closes, added 0.2% and Australia's S&P/ASX 200 rose 0.5% amid gains in financials and energy companies.

Hong Kong's Hang Seng added 0.2%, and was around its best level since mid-2015.

The Shanghai Composite was up 0.1% but the Shenzhen Composite fell 0.4%, as investors exercised a bit of caution ahead of possible financial-system changes from the National Financial Work Conference, which started Friday.

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