

# MARKET MINUTE

**May 19, 2022**

## **Markets knocked out by one-two punch from retailers and Fed**

It's been another week of "up one day and down the next" for U.S. markets. In a major about-face following a 437-point rally on Tuesday, the Dow Jones Industrial Average dropped 1,160 points on Wednesday in its worst trading day in nearly two years. The Nasdaq and the S&P 500 also had less-than-stellar performances on Wednesday, with the former dropping 4.73% and the S&P 500 sitting on the edge of bear territory.

What caused the latest turmoil? In a word: Retail. Target's stock tumbled by 25% on Wednesday after reporting lower-than-expected earnings for the first quarter. The company attributed the earnings miss to higher costs, saying they expect margins to remain narrow in the coming months. It was a similar story over at Walmart, where the stock has slipped two days in a row.

The decline also comes on the heels of comments from Federal Reserve Chairman Jerome Powell on Tuesday, when he restated his focus on raising interest rates to combat inflation. "If that involves moving past broadly understood levels of neutral we won't hesitate to do that," he told The Wall Street Journal. "We will go until we feel we're at a place where we can say financial conditions are in an appropriate place [and] we see inflation coming down." His comments added to growing concerns that tighter monetary policy could lead to a steeper downturn or even recession in the near future.

The combination of blows sent markets to the mat on Wednesday, leaving investors to wonder what's next. Our advice is to remain informed about what's happening in the markets, and exercise prudence, not panic. Day-to-day events may continue to drive volatility up and markets down in the short-term. We recommend staying focused on your long-term goals and remaining patient until markets level out.

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