

MARKET MINUTE

September 29, 2022

Markets tumble in wake of negative headlines

Hurricane Ian barreled through Florida this week, leaving a wide swath of destruction in its wake. A natural disaster of this magnitude is a negative to markets, and it will still be several days before we see how extensive the fallout will be. It could also take some time to sort out the hurricane's economic ramifications, including whether they will be short-term and specific to Florida or carry long-term effects for the entire country.

Explosions on the Nord Stream pipelines also negatively affected markets this week. Questions are still unanswered about that event, including who did this and why they did it. The pipelines weren't sending energy to Western Europe due to the Russians turning the flow off as a reaction to sanctions, and only Nord Stream 1 was active. Besides the environmental mess, what will the long-term repercussions be? If peace is reached in Ukraine, Europe will not be able to receive gas shipments from Russia, further hampering their economy.

In other news, the Bank of England (BOE) said it would suspend its quantitative tightening scheme (i.e., rate hikes) to support the falling British pound. The announcement sent U.S. markets sharply upward yesterday, as American investors thought our Federal Reserve might follow suit and cut rates sooner. However, markets reversed that trend today, as it came to light that the BOE made the decision based on fears of UK pension fund losses. The same old concerns of a global economic slowdown returned and markets reversed their gains early today.

All these negatives have been hanging over the market. In addition, there's been no sign that inflation is declining, and subsequently no indication the Fed plans to take its foot off the brakes. The market got a little hopeful yesterday, but those hopes quickly evaporated today after initial unemployment claims came in at 193,000, significantly lower than the estimated 250,000. It was just another reminder that the jobs market is stronger than the Fed wants and one more reason why they won't let up raising rates. It was also just one more negative headline to add to the market's sour mood.



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