Fed worries persist

Wall Street's main indexes slipped today as a stronger-than-expected reading on the U.S. services sector fed into expectations that the Federal Reserve will keep raising interest rates to tame inflation. The tech-heavy Nasdaq fell for a seventh consecutive day to register its longest such losing streak since November 2016. The Institute for Supply Management (ISM) said its non-manufacturing Purchasing Manager Index (PMI) edged up to a reading of 56.9 last month from 56.7, reversing two consecutive monthly declines. Economists had forecast the non-manufacturing PMI decreasing to 54.9. A measure above 50 indicates expansion in the services sector, which comprises more than two-thirds of U.S. economic activity. The growth in services followed the ISM's manufacturing survey last Thursday, which also showed U.S. factory activity grew steadily last month, bucking a trend in other major economies and providing further evidence the economy was not in recession despite gross domestic product contracting in the first half of the year. Traders see about 75% chance of a third 75-basis-point rate hike at the Fed's policy meeting later this month. Focus will be on Fed Chair Jerome Powell's speech on Thursday as well the U.S. consumer prices data next week for clues on the path of monetary policy. Bed Bath & Beyond Inc fell more than 15% after Chief Financial Officer Gustavo Arnal fell to his death from New York’s Tribeca skyscraper. Digital World Acquisition Corp also tumbled more than 15% after Reuters reported the blank-check acquisition firm that agreed to merge with Donald Trump’s social media company failed to secure enough shareholder support for an extension to complete the deal.

Canada’s main stock index fell as energy and financial stocks declined, with investors betting on an outsized rate hike from the Bank of Canada later this week. The energy sector dropped about 1.5% as crude oil fell after a two-day rally on renewed concerns over weaker demand and the prospect of more interest rate hikes, trumping support from the first output target cut since 2020 by OPEC+. Traders see a 94% chance of a 75-basis-points rate hike at the BoC policy meeting on Wednesday, lifting its policy rate into restrictive territory for the first time in two decades, but bets are split on whether or not a pause will follow.

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