Market Review

Powell hopeful inflation can be tamed

The Federal Reserve is "strongly committed" to fighting inflation, but there remains hope it can be done without the "very high social costs" involved in prior campaigns to control surging prices, Fed Chair Jerome Powell said today. Powell, in a 40-minute webcast interview with Cato Institute President Peter Goettler, was not asked about the U.S. central bank's policy meeting later this month, when it is expected to raise its target interest rate by either half or three-quarters of a percentage point, and the Fed chief did not volunteer any information on his preference. Investors in contracts tied to the Fed's policy rate currently anticipate the larger 75-basis-point increase, an expectation that rose through the day after the European Central Bank hiked its policy rate by three-quarters of a percentage point, and a decline in U.S. weekly jobless claims pointed to continuing strength in the labor market. Initial claims for state unemployment benefits declined 6,000 to a seasonally adjusted 222,000 for the week ended Sept. 3, the Labor Department said. Data for the previous week was revised to show 4,000 fewer applications filed than previously reported. Economists had forecast 240,000 applications for the latest week. U.S. stocks struggled for direction today as investors digested hawkish remarks from Federal Reserve Chair Jerome Powell and other policymakers that cemented bets of a large interest rate hike later this month. With increasing odds of another outsized rate hike, the rate-sensitive S&P 500 bank index rose nearly 2%. The healthcare sector was boosted by news that Regeneron Pharmaceutical Inc's anti-blindness treatment Eylea was shown to work as well when given at a higher dose at a longer interval between injections. The drugmaker's shares jumped more than 18%. American Eagle Outfitters Inc fell about 10% after the apparel maker missed second-quarter profit estimates and said it would pause quarterly dividend as it fortifies its finances against a hit from inflation.

Canada's main stock index rose, lifted by rate-sensitive financial stocks, while investors remained cautious amid aggressive monetary policy tightening by major global central banks. The federal government intends to temporarily hike GST rebate cheques in a bid to ease some of the hurt of inflation for lower income Canadians. Prime Minister Justin Trudeau will announce a three-pronged plan to address affordability at the Liberal cabinet retreat in Vancouver later today. Cabinet ministers are gathering ahead of the fall sitting of Parliament with the economy and the cost-of-living crisis top of mind. Two federal sources familiar with the plan say it will look to double some GST payments for six months, include help for Canadians struggling to pay their rent, and launch the first step of a national dental-care program.

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Source: Refinitiv