Market Review

U.S megacaps drop before Fed rate debate

Wall Street's main indexes fell on Monday, bogged down by a drop in shares of Apple and other megacaps, while investors braced for a hefty rate hike from the Federal Reserve this week and assessed the path of future interest rates. The U.S. Fed is set to meet on Tuesday and Wednesday, where policymakers are expected to deliver a fourth straight 75-basis point interest rate hike to curb decades-high inflation. Communication from Fed officials after the decision as well as non-farm payrolls data this week will offer further clues on whether the central bank could tone down its aggressive stance on interest rates in the future. In Europe, inflation surged more than expected in October, fuelling expectations that the European Central Bank will press on with big interest rate hikes despite economic growth slowing. Inflation in the 19 countries sharing the euro accelerated to 10.7% in October from 9.9% a month earlier, beating expectations for 10.2% and way higher than the ECB's 2% inflation target. Apple Inc dropped more than 1% after a Reuters report said production of its iPhones could slump by as much as 30% next month due to tightening COVID-19 curbs in China. Shares of other megacaps including Amazon.com, Google-owner Alphabet, Microsoft and Meta Platforms were also down.

Canada's main stock index fell in choppy trading today as markets braced for the Federal Reserve's policy meeting later in the week, with gains in energy stocks limiting losses. Oil prices pared some declines from earlier in the session over weaker-than-expected China factory activity data. China's factory activity unexpectedly fell in October, weighed by softening global demand and strict domestic COVID-19 curbs, which hit production, travel and shipping in the world's second-largest economy. The official manufacturing purchasing managers’ index (PMI) fell to 49.2 from 50.1 in September. The result unexpectedly broke below the 50-point mark that separates growth from contraction with economists forecasting the PMI to have come in at exactly 50.0. Separately, the non-manufacturing PMI, which looks at service sector activity, fell to 48.7 from 50.6 in September. As of last week, 31 Chinese cities have implemented various levels of lockdowns or some kind of district-based control measures, affecting around 232 million people.

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