

Big Picture

Investors Eagerly Await Fed Chair's Comments on Future Path of Rate Hikes

All three U.S. stock indexes declined on Monday as investors anxiously await a Friday speech by Fed Chair Jerome Powell in Jackson Hole, Wyoming, in which he is expected to reaffirm the central bank's hawkish stance to combat inflation. The Dow dropped 643 points, while the S&P 500 and Nasdaq fell 90 and 323 points, respectively. Losses were milder on Bay Street, thanks to some modest strength in the energy and materials sectors. By Monday's close, the TSX had dropped 136 points.

U.S. stocks wobbled in quiet trading Tuesday as investors continue to speculate as to the severity of impending rate increases. The Nasdaq and S&P 500 were fairly flat, while the Dow surrendered 154 points. The TSX closed almost unchanged, adding 10 points, after a choppy session -- although energy and materials stocks registered strong gains.

U.S. stocks snapped a three-day losing streak Wednesday, buoyed by rising energy shares. Oil prices climbed for a second day after Saudi Arabia and some of its OPEC+ members suggested cutting output. The TSX managed a 36-point gain, once again on strength in the energy and materials sectors.

U.S. stocks rose in light trading Thursday as investors reviewed a batch of economic data as anticipation continued to grow over Jerome Powell's scheduled comments on Friday. By Thursday's close, the Dow was up almost 1%, while the S&P 500 and Nasdaq added roughly 1.4% and 1.7%, respectively. In Canada the TSX was up 151 points, buoyed by the energy and health care sectors.

U.S. Indexes Lose Ground; TSX Up Slightly

For the four trading days covered in this report, the Dow lost 415 points to close at 33,292, the S&P 500 dropped 29 points to settle at 4,199, while the tech-heavy Nasdaq fell 66 points to close at 12,639. In Canada, the TSX rose 61 points to end at 20,172.

Strategy

U.S. economy contracted less than expected in 2Q and advance estimates point to a rebound in 3Q GDP

Revised GDP estimate shows U.S. economy contracted less than expected in 2Q – U.S. GDP fell 0.6% on a quarter-over-quarter annualized basis in 2Q, slightly better than consensus forecasts of -0.7% and the advance reading of -0.9% released by the Bureau of Economic Analysis last month. The improved figure primarily reflects upward revisions to personal consumption (+1.5% now vs +1.0% in the advance report) owing to relatively higher spending on both durable and non-durable goods. Gross private investment (-13.2% vs. -13.5%) remained a weak link but was slightly better than the first reading while government consumption (-1.8% vs. -1.9%) was little changed. With respect to prices, both the headline personal consumption expenditure and core gauges were unchanged at 7.1% and 4.4%, respectively. Another measure of economic growth, gross domestic income (GDI), which measures activity by calculating all income generated from producing goods and services, was revised lower to 1.4% from 1.8% previously. Meanwhile, a separate report released today by the Department of Labor showed initial jobless claims for the week ending August 20 edged slightly lower to 243,000 from the previous week's downwardly revised level of 245,000. Continuing claims also fell to 1.415 million from 1.434 million previously.

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