



26<sup>th</sup> August 2022

### **Global Market – Jackson Hole Symposium**

Last week we have discussed Dollar Index @ 108 and risk-off momentum back in focus after a sharp risk-on momentum played between 17<sup>th</sup> July to 18<sup>th</sup> August. In last one week, market have seen some risk-off sentiment as focus will soon shift to US FOMC meeting on 20 – 21 September 2022, and Jackson Hole Symposium was key event that world was watching for.

Today we will discuss, US Fed chair Jerome Powell speech at Jackson Hole Symposium and cues leading to US FOMC meeting outcome on 21-Sep-22. Here are some of the key points from his speech on 26-Aug-22.

- Powell: Will require restrictive policy for some time.
- Powell: September rate action will dependent on upcoming economic data.
- Powell: Lower July inflation data is welcome, but not enough to change view.
- Powell: Need some more evidence before of inflation cooling off.
- Powell: overall inflation target remains at 2% for long term sustainable growth.
- Powell: Restoring price stability will take some time.
- Powell: History cautious against prematurely loosening policy.
- Powell: Job market remains strong. Mismatch between demand & supply needs to be balance to bring inflation at 2% for sustainable growth of economy and job market.
- Powell: US Fed has a primary job to manage inflation and will continue to focus on it referring to some historical instance.

### **What is Jackson Hole Symposium**

The Federal Reserve Bank of Kansas City has hosted its annual economic symposium in a lodge in Grand Teton National Park since 1982. It's a gathering of central bankers from around the world, academics, other influential economic thinkers, policymakers and journalists

### **How market reacted to US Fed chair Jerome Powell speech**

- Wall Street initial reaction was down after Powell speech. DOW30 was down by 600 points, S&P500 & NASDAQ was down more than 2% at 9:30 PM 26-Aug-22.
- US 10-year bond yield steady @ 3.03%. Dollar Index @ 108.43 continue to trade at elevated level.
- Gold future @ 1747 was down more than 1% after Powell speech. Other commodities remain stable with some cool-off.
- Fed rate monitor tool indicates 55% chance of another 75-bps hike in September US FOMC meeting.



### **Equichain Wealth Advisors: View & Opinion**

Before we share our view, we would like to highlight the rally which started from 17-Jul-22 to 18-Aug-22 was based on narrative that US Fed will manage soft landing and corporate earnings will not be hurt as much earlier anticipated in May & June 2022.

Today's speech highlight was reference to history, which clearly says that early reversal of policy path could prove to be more disastrous. Like US Fed waited too much to reverse easy monetary policy unless US Fed sees clear sign of inflation cooling down, US Fed will continue its tight monetary policy.

Inflation & Growth are two sides of the same coin, if inflation has to come down, growth will follow and vice-versa. Now every economic data going into US FOMC event on 20 – 21 September 2022, market will react to it and expect volatility to continue.

So far corporate earnings globally have been better than market expectation, but as we see it is a long battle before we see some easy monetary policy. As we have discussed earlier, Europe will be epicenter of next financial crisis mainly due to energy prices and unless Europe finds solution for high energy prices, globally things look like the crisis will deepen in coming months & quarters.

**Disclosure & Note:** Investor needs to understand risk associated with F&O strategy, technical & other trading strategy before implementation and due risk assessment is required from client's end and prefer professional advice before executing.