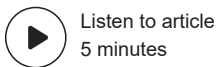


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# The Dow Is Sliding, JPMorgan Is Slumping— and What Else Is Happening in the Stock Market Today

By [Jack Denton](#) Follow and [Jacob Sonenshine](#) Follow Updated July 14, 2022 10:26 am ET /  
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Some of Wall Street's biggest banks kicked off earnings season on Thursday.  
Ed Jones/AFP via Getty Images

The stock market was falling after dismal earnings from [JPMorgan Chase](#) increased concerns about a possible recession. It's not the only worry.

The Dow Jones Industrial Average [DJIA -1.68%](#) has dropped 602 points, or 2%, while the S&P 500 [SPX -1.60%](#) has fallen 2%, and the [Nasdaq Composite](#) has declined 1.9%.

The stock market was already set for a bad day when JPMorgan [JPM -4.65%](#) earnings hit the tape. The bank's earnings and revenue fell short of forecasts and management set aside \$1.1 billion in provisions for potential credit losses. The big surprise, though, was a decision to suspend share repurchases. Together, the news signals that the bank is preparing for a weakening economy.

"High inflation, waning consumer confidence, the uncertainty about how high rates have to go and the never-before-seen quantitative tightening and their effects on global liquidity ...are very likely to have negative consequences on the global economy," said Jamie Dimon, chairman and CEO of JPMorgan. "We are prepared for whatever happens."

Shares were down 4.8%.

That isn't the only problem that looks to be sending the S&P 500 to what would be its fifth straight day of losses, as inflation continues to soar. This one came in the form of the producer price index, which rose 11.3% year-over-year for June. It means companies are incentivized to raise prices, contributing to consumer inflation—and more rate hikes.

Or at least bigger ones. The Federal Reserve is now likely to act even more aggressively in lifting interest rates to combat [higher prices](#). [A full percentage-point rate increase](#) is on the table, instead of the three-quarter point increase the market had been expecting. "The Fed may indeed hike 100 basis points at the July meeting," wrote Tom Essaye, founder of Sevens Report Research.

Interest rates are already moving up to reflect this possibility. The 2-year Treasury yield is up to 3.23%, a level it hadn't reached since late June. CME Fed Watch puts the chances of a full percentage point hike at 86%, up from 80% on Wednesday. While those rate hikes could help tame inflation, they also carry risks.

"The higher they raise rates, the more the recession outlook increases," wrote NatAlliance Securities' Andrew Brenner.

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will have to start cutting their estimates for future earnings, something they have been reluctant to do.

Elsewhere, earnings season will continue with [Citigroup \(C\)](#) and [BlackRock \(BLK\)](#) following on Friday, and investors are worried that analysts

"Consensus estimates are strong, and we consider them over-optimistic given the deteriorating macroeconomic backdrop," says Richard Saperstein, chief investment officer of Treasury Partners.

The recent inflation suggests that margins will also come under pressure. With PPI running hot, companies will try to raise prices, but consumer prices have been rising at a slower pace, suggesting that corporations might not be succeeding.

"Many businesses' margins will also shrink in the current environment," wrote Paul Gray, managing director of Ironhold Capital.

And that is just one more thing for investors to worry about.

#### **Here are stocks on the move Thursday:**

[Conagra Brands \(CAG\)](#) stock dropped 7.6% after the company reported a profit of 65 cents a share, beating estimates of 63 cents a share. Sales came in at \$2.91 billion, missing expectations for \$2.93 billion.

[Taiwan Semiconductor Manufacturing Co. \(TSM\)](#) gained 0.2% after the chip maker raised its revenue forecast for the year and beat second-quarter earnings estimates following strong demand from auto makers and consumer goods companies. TSMC posted net income for the June quarter of \$1.55 a share, above the \$1.44 expected by analysts. The news also buoyed shares in chip maker [Infineon \(IFX\)](#), Germany), which rose 1% in Frankfurt trading.

[Tesla \(TSLA\)](#) fell 3.1%. Andrej Karpathy, director of artificial intelligence and the head of the electric-vehicle maker's autopilot vision team, said Wednesday that he was leaving the company.

[Martin Marietta Materials \(MLM\)](#) stock fell 1% after getting upgraded to Outperform from Peer Perform at Wolfe Research.

[Costco Wholesale \(COST\)](#) stock gained 0.6%. [Deutsche Bank](#) upgraded the shares to Buy from Hold.

Write to Jack Denton at [jack.denton@dowjones.com](mailto:jack.denton@dowjones.com)