

## September 6, 2022 – Economic Commentary

As US markets continue to digest an outlook for a tight labor market and rising interest rates, with some encouraging signs on the inflation front, Europe confronts a completely different set of immediately critical issues. The decision by Russia to cut off the flow of natural gas to Europe was widely expected at some point but still jarring when it occurred on Sunday. To its credit, Europe is not entirely unprepared, and most analysts now believe that the region has sufficient energy stored to make it through the winter with a modest amount of industrial disruption. The EU has moved quickly to stabilize energy traders and markets, while individual countries have been rapidly deploying emergency plans for nuclear power and LNG shipments. (Note that a much anticipated, possibly imminent, maritime agreement between Israel and Lebanon could free up important gas supplies for Europe.) However, the associated natural gas and electricity price increases — past, present and future— stand to wreak havoc, especially on consumer finances. Europe and Britain are now contemplating massive fiscal expenditures that may, in fact, make inflation in that arena worse if it is not offset, as planned, by windfall profits taxes on energy providers. At the same time, another major economic power, China, is also pursuing expansionary fiscal and monetary policy in an effort to raise its economic growth rate. In short, global economic policy is now substantially uncoordinated, a situation with considerable opportunity for unexpected, possibly unpleasant, surprises.

### Data to Watch:

1. US ISM Purchasing Managers Index, Non Manufacturing, for August, released Tuesday, September 6
2. US Imports for July, released Wednesday, September 7
3. China Balance of Trade Data for August, released Wednesday, September 7
4. ECB Interest Rate Decision (and economic commentary), Thursday, September 8

### Suggested Reading:

[Russia's Nord Stream Pipeline Closure Lands Economic Blow Against Europe](#)

[Las Vegas isn't betting on Mother Nature to solve its water problem. Here's how it intends to win](#)

[Zero-based budgeting gains clout as a way for companies to find savings](#)

[How will Liz Truss help businesses and households with soaring energy bills?](#)

#### Disclosures

*Investment Commentary Sources: Bloomberg and Morningstar*

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