

## Market volatility raises questions about the staying power of the U.S. economy

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### Warm-up question:

Have you ever been affected by sudden changes in the stock market or economic news?

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A MARTÍNEZ, HOST:

Stocks opened somewhat higher this morning after a sharp selloff on Monday. The Dow Jones industrial average **tumbled** more than a thousand points yesterday, while the S&P 500 index dropped by 3%. Japan's stock market also fell sharply on Monday but recovered much of that ground overnight. Now, the market **volatility** has raised questions about the staying power of the U.S. economy, which had been a pillar of global growth since the pandemic.

NPR's Scott Horsley joins us now. Scott, it's been quite a few nervous days for investors. How worried should everyone else be about the economy?

SCOTT HORSLEY, BYLINE: A, most analysts I've talked to think yesterday's stock market **slide** was an overreaction. Here's how chief economist Kathy Bostjancic of Nationwide puts it.

KATHY BOSTJANCIC: What we're seeing in this global **route** in the equity market does not reflect accurately the fundamentals of the U.S. economy - or the global economy, for that matter.

HORSLEY: To be sure, the U.S. economy is not growing as fast as it had been. We're no longer adding jobs at the pace we were a year or two years ago. But we're not **on the brink of** recession, either, which is what you might think if you just looked at yesterday's stock **ticker**. The unemployment rate did go up last month, but not because a lot of people got laid off, but rather because a lot of new people came into the job market. So far this morning, it looks like investors have calmed down a little bit. In the first 40 minutes or so of trading, the Dow is up about 360 points and the S&P 500 is up about 1.2%.

MARTÍNEZ: Yeah. I mentioned earlier how Japan's stock market also had a bad day on Monday, but they seem to have bounced back a bit. But what happened there?

HORSLEY: Yeah. Most central banks around the world have been looking at cutting interest rates, but Japan's central bank raised rates last week, and that put upward pressure on the Japanese currency. As a result, some speculators who had been borrowing at very low interest rates in Japan to invest elsewhere were forced to unload stocks. Bostjancic says that was one of several global factors that contributed to yesterday's worldwide selloff.

BOSTJANCIC: Now, with the Bank of Japan raising rates, it means it's no longer as profitable for investors to borrow in yen or in Japan. But also, I think there is concerns about geopolitical tensions and possible widening of war in the Middle East, and also uncertainty about the presidential election.

HORSLEY: Japan's stock market fell more than 12% on Monday, but it bounced back overnight, regaining most of that loss. The Nikkei average rose more than 10% today.

MARTÍNEZ: So now, Scott, everyone's looking at the Fed to find out what they're going to do. So how is the Federal Reserve likely to respond to all this?

HORSLEY: Well, the Fed is certainly keeping an eye on the market, not because it's overly worried about stock prices, but because it wants to make sure the financial system is functioning smoothly. The Fed did not cut interest rates last week when policymakers met. Some now see that as a missed opportunity. But the markets expect the Fed will cut rates when policymakers next meet in September. Before that meeting happens, though, Fed Chairman Jerome Powell will be speaking later this month at the annual economic conference in Jackson Hole, Wyoming. That is always an event with high altitude and high expectations, and this week's market **turbulence** just puts an even brighter spotlight on the talking heads in the Tetons.

MARTÍNEZ: That's NPR's Scott Horsley. Scott, thank you very much.

**Vocabulary and Phrases:**

1. **Tumbled:** Fell suddenly and dramatically.
2. **Volatility:** The characteristic of being prone to rapid and unpredictable changes, especially in price or value.
3. **Slide:** A continuous, typically downward, movement or trend.
4. **Route:** A widespread and heavy defeat or downturn, especially in financial markets.
5. **On the brink of:** Very close to experiencing something, usually something negative.
6. **Ticker:** A display that shows the current price of stocks or other financial instruments.
7. **Turbulence:** A state of disorder or instability, often used to describe financial markets.

**Comprehension Questions:**

1. What happened to the Dow Jones industrial average and the S&P 500 index on Monday?
2. How did Japan's stock market perform in comparison to the U.S. markets?
3. What does Kathy Bostjancic believe about the recent market slide?
4. Why did Japan's central bank decision impact the global markets?
5. How is the Federal Reserve likely to respond to the recent market volatility?

**Discussion Questions:**

1. Why do you think stock markets are so sensitive to changes in interest rates and global events?
2. How does market volatility affect everyday people, not just investors?
3. What is the role of central banks, like the Federal Reserve, in stabilizing the economy during times of financial turbulence?
4. What are some strategies people or businesses might use to protect themselves during periods of economic instability?
5. How do you think media coverage of market fluctuations influences public perception and behavior?