MARKETS | THE TRADER

It's Not Market Volatility You Need to Worry About. It's Economic.

By Ben Levisohn May 14, 2021 8:45 pm ET

Order Re

...

People at a shopping mall in New York City.
Spencer Platt/Getty Images

The S&P 500 index fell 1.4%, while the Dow Jones Industrial Average dropped 1.1%, and the Nasdaq Composite was off 2.3%. That might look bad, but it was far worse at Wednesday's close, with each index down more than 3% on the week after the consumer-price index rose 0.8% in April from March—more than quadruple expectations for a 0.2% rise.

...

The jump in inflation—and the gap between it and expectations—was similar to April's payrolls, which came in at just 266,000, well below forecasts for 975,000, the biggest miss on record. Making matters worse, few would have predicted either the inflation or

...

exactly what's been happening since the pandemic hit. One way to measure economic volatility is to look at changes in personal-consumption expenditures, says Evercore ISI strategist Dennis DeBusschere. Normally, the variation in readings is fairly small, with the volatility of the measure never more than one standard deviation above or below the average since 1990. It's now 5.5 standard deviations above its average, DeBusschere says, which never happened even during the depths of the financial crisis.