

This is not going to be a quiet summer

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Economically, August should be boring. Once upon a time, nothing happened. In the stock markets, the maxim was "Sell in May and go away." The assumption was that any shares sold in late spring could be bought again in early October for a winter season of trading because nothing would happen in the meantime.

Once upon a time does not exist any more. In fact, we are very far from it. As [the FT has reported today](#):

A global stock sell-off deepened on Friday, with the Nasdaq falling into a correction, as a sharp slowdown in US hiring piled pressure on an equity market already reeling from a steep downturn in semiconductor shares.

The Nasdaq Composite index fell 3.2 per cent, meaning it has now lost more than 10 per cent from its all-time high on July 11.

The downturn followed the latest in a string of underwhelming tech earnings.

Other influences are declining employment and a realisation that the Fed's attempt to keep interest rates high, which attempt has artificially boosted the value of shares, is now going to fail. As the same article notes (and this is edited):

US bond yields tumbled following the jobs data as investors flocked to the safety of Treasuries.

The US 10-year yield sank 0.14 percentage points to 3.83 per cent, the lowest since December.

Investors now expect the Fed to lower borrowing costs by a full percentage point by the end of the year.

This is not, of course, what the Fed is saying. They're making very different noises, just like the Bank of England. But then, both thought their high interest rate policies would not deliver a sharp recession, and that is exactly what both are now likely to do, hence

the reaction of markets in the US and the tumbling value of securities.

As I have long said, interest rates have been too high for far too long. And if the US Fed has no choice but to react to this, how long will it be before the Bank of England is forced to do so?

And how long will it be before Labour's entire growth-based strategy lies in tatters all around it?

This may not be the quiet summer many thought it might be economically.