Stock Market Rallies as Housing Beats Expectations

The S&P 500 hit a record high on Monday, and is up more than 20% year-to-date, completely rebounding from its August crash.

The Dow Jones crashed more than 800 points in August, and the 10-year Treasury yield briefly broke the two-year rate for the first time since 2007—an economic marker that has often proved a foreunner of recessions in times past.

CNBC reports that there have been five inversions of the 2-year and 10-year yields since 1978. A recession followed each inversion. However, data shows that those recessions began on average 22 months after the initial inversion.

The S&P 500 hit a new record of 3,038.62 as of 10:45 a.m. CDT, which is 16% higher than the previous closing. The Dow Jones Industrial Average hit a high of 25,639 when the market crashed on August 14, but rose to 27,072 during its rebound on October 28.

President Donald Trump, in response to the rallying stock market, tweeted that this is a “big win for jobs, 401-K’s and, frankly, everyone. Our country is doing great.”

In BuildFax’s September Housing Health Report, Jonathan Kanarek, COO, BuildFax noted that the housing market is beating expectations, even with the threat of recession.

“Amidst concerns of a recession, it’s promising to see the housing market responding to the impact of mortgage rate decreases and other positive moves in the market,” he added. “If housing continues showing the promise of growth, or even a leveling off, this activity has the potential to stimulate the larger economy.”

CNBC states that after hitting a new high on July 26, recession fear led the Augusts’ sell-off. The S&P 500 fell 1.8%, but has since grown by 5% from that August low.

Also aiding to the rally is the reported progress being made in trade negotiations between the U.S. and China.

“Of the S&P 500 companies that have reported over the last month, just 32 mention recession on their calls,” said Nick Mazing of Sentiive in the CNBC report.

Recent economic recovery has slowed talk of a recession, but Duke Professor Campbell Harvey, an expert on the yield curve, warned that the yield curve’s un-inversion in recent week should not be considered a “all clear” sign.

A recession may still be on the horizon, he told Business Insider. A negative spread between the three-month and 10-year Treasury yields—known as a yield-curve inversion—has preuduced each of the seven economic recessions since 1950.