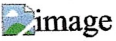


WSJ Print Edition



Why Are Stocks Up? Nobody Knows

A torrent of bad news hasn't been enough to sink the market

"The market rallied early this morning for reasons nobody understands and nobody predicted."

Thus began a brilliant, but fake, Wall Street Journal article courtesy of The Weekly Standard back in 1998. In 2025, something similar could be said about the market's performance for much of the year: Few predicted it, and even fewer could coherently explain it.

The late '90s satirical piece went on: "CNBC analysts confidently asserted it had something to do with the Senegalese money supply, but others pointed to revised monthly figures showing a poor tuna haul off the Peruvian coast."

"The First Totally Honest Stock Market Story" highlights a feature of investing punditry. Often there really is no reason. You have to zoom out—way out—for cause-and-effect to prevail.

Some days are no-brainers. A profit warning from a major company or an upbeat economic re--port can send the market down or up sharply. Even those sessions can start out looking very much one way and then surprise everyone.

Extend the time horizon to months, and the weirdness multiplies. For example, there were notable double-digit rallies lasting a couple of months apiece in 2007 and 2008 just as the wheels clearly were falling off the housing market.

Fortunately for pundits, those get easier to explain. A surge in the face of scary headlines? "The market loves to climb a wall of worry." It goes nowhere despite upbeat corporate news? "Stocks are in a consolidation phase."

This year has really forced seers to tie themselves in knots. Stocks started out strong on the back of the "Trump trade," anticipating pro-business policies. They then plunged to nearly bear-market territory a week after the "Liberation Day" tariffs.

Even if high tariffs on vital trading partners like the European Union and Japan are postponed again, those already enacted are the highest since the 1930s. Economists surveyed by the Journal now see 33% odds of a U.S. recession within a year, compared with 22% at the start of 2025. Earnings estimates for the S&P 500 compiled by FactSet are 3% lower since then.

And the index itself? Up 7%, and by 27% since the April low—one of its fastest advances ever.

He is far from alone, but Goldman Sachs strategist David Kostin's journey shows how quickly Wall Street has pivoted. He began 2025 with a year-end target of 6500 for the benchmark and then cut it to 6200 after stocks began slumping. That got slashed to 5700 in late March on rising recession risk. Since then, Kostin has lifted his target twice, to 6100 and, earlier this month, 6600.

You would never expect a sports handicapper to pick who will win the World Series in 2035. The stock market is different: A smart strategist can make a surprisingly accurate guess about what stocks will do over a decade. Saying how it will do this quarter is routine, and routinely wrong— there is simply too much noise and emotion.

Newspaper readers seem to be much more interested in what will happen this week or this year than next decade, but that isn't the only reason Wall Street mostly sticks to short-run predictions: It produces a lot more customer activity.

—*Spencer Jakab*

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