

MARKETS | THE TRADER

Fear Comes to the Stock Market. What Comes Next.

By [Ben Levisohn](#) Updated Jan. 15, 2021 8:25 pm ET / Original Jan. 15, 2021 8:18 pm ET



Medical workers carry cold storage boxes containing injection material during a Phase 3 trial of the Johnson & Johnson Covid-19 vaccine.

Angel Garcia/Bloomberg

The [Dow Jones Industrial Average](#) slipped 283.71 points, or 0.9%, this past week, to 30,814.26, while the [Nasdaq Composite](#) dropped 1.5%, to 12,998.50. The S&P 500 fell 1.5%, to 3768.25, its largest decline since the week ended Oct. 30, though back then it dropped 5.6%. Still, it was the

[S&P 500's](#) first weekly drop of more than 1% since then, a sign that investors, unflappable until now, really were taken aback by what they saw.

Until now. This past week—with the market looking ahead to [the inauguration](#) and what might be in store following the Capitol riots and Donald Trump's second impeachment—was a terrible one for economic data. Whether it was [small-business confidence](#), [consumer inflation](#), or just about anything else, the numbers painted a picture of an economy that was slowing more rapidly than expected. Initial jobless claims, which [spiked to their highest level since August](#), and retail sales, which [fell 0.7%](#), were particularly frightening.

Of course, there were good reasons for all this. Covid cases have been surging—global deaths have now topped two million—and much of the economic damage is due to the renewed lockdowns across the country. But there's another factor, says Jefferies economist Aneta Markowska: fiscal drag. The first Covid relief