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The Stock Market Is Bouncing Back for the Right Reasons—but the Yield Curve Could Spell Trouble

By Ben Levisohn Feb. 5, 2021 8:30 pm ET

Or

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the [S&P 500](#) rose 4.6%, to 3886.83, and the [Nasdaq Composite](#) gained 6%, to 13,856.30. The [Russell 2000](#) left them all behind with a 7.7% jump, to 2233.33.

The [Dow Jones Industrial Average](#) advanced 1,165.62 points, or 3.89%, to 31,148.24 this past week, while

But everything has its limits, and as the spread between the two bond yields nears 1.3 percentage point, it could become a problem for the stock market, explains Sevens Report's Tom Essaye. "Historically, [a steepening yield curve is a] good sign for both the economy and stock markets in the coming months and quarters," he writes. "But it is also an early warning sign that the clock is ticking on how long the Fed will remain on hold, or easy, before beginning to hike rates and tighten financial conditions to combat the threat of runaway inflation."