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The Stock Market Got Spooked by What It Already Knew. Here's Next Week's Surprise.

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President Joe Biden meets with members of Congress and others.

Doug Mills-Pool/Getty Images

President Joe Biden made no secret of his plan to raise capital-gains taxes on the very wealthy. It was a campaign pledge, one that got enough attention for Goldman Sachs to release a note looking at the historical impact of previous increases on the stock market. (The answer: not very much.) Since then the possibility has been discussed, debated, and written about on Wall Street and beyond.

And yet when news “broke” that the Biden administration was considering raising the top capital-gains tax rate on millionaires to 39.6%, the stock market suddenly declined,

The damage was transitory—the S&P 500 closed the week off 0.1%, to 4180.17, while the Dow Jones Industrial Average fell 157.18 points, or 0.5%, to 34,043.49, and the Nasdaq Composite declined 0.3%, to 14,016.81. But it does indicate that the market might be a little sensitive to small changes.