

The Dow's Big Rally Was Scary. And Not in a Good Way.

By Ben Levisohn June 7, 2019 9:47 p.m. ET

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On first glance, there seems no reason to be scared. The [Dow Jones Industrial Average](#) gained 1,168.90 points, or 4.7%, to 25,983.94 this past week, while the [S&P 500](#) rose 4.4%, to 2873.34, and the [Nasdaq Composite](#) advanced 3.9%, to 7742.10. It was the best week for all three indexes since November 2018.

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Credit for the rally could be given to headlines about trade—the U.S. might not raise tariffs on Mexico on June 10, after all—and [hopes that the Federal Reserve will cut interest rates](#), even if those hopes were fueled by disappointing economic data such as this past Friday's [payrolls report](#). But, as Nicholas Colas, co-founder of DataTrek Research, noted after the S&P 500's 2.1% rise last Tuesday, "happy markets don't surge 2% in a day. Worried markets do."

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The Fed's move toward easier monetary policy, which began in January, could give stocks a boost. But those kinds of shifts take about six months to work through the system, so we won't know for sure until third-quarter earnings season. "In the third quarter, we will start to find out whether the easing policies are starting to work and whether they prove to be more than enough to offset the negative impact from the trade wars," explains Leuthold Group's Jim Paulsen.