



It's only been one year since the Dow hit 20,000; today it's topping 26,000

BY BEN POPKEN

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When will the law of gravity hit the stock market?

Markets are reaching for another record close on the anniversary of the Dow Jones Industrial Average hitting 20,000 for the first time. Wall Street is holding its breath for what seems like an inevitable and overdue correction. What goes up, must come down; it's just a matter of when.

Experts say that barring a cataclysmic global event like a nuclear war or skyrocketing inflation, the markets party is set to keep on rocking. The Dow soared 5,000 points in 2017, marking a 30 percent gain in President Donald Trump's first year in office — the best performance for the blue chip index since FDR.

"As long as the economic backdrop remains favorable, corporate earnings are solid or generally improving, and interest rates remain relatively low, the chances are good that **the market's longer-term** advance can remain intact," Mark Hamrick, senior economic analyst for Bankrate.com, told NBC News.

Rising corporate earnings, the tax code overhaul and a rollback of regulations are all part of a mix of favorable conditions that have improved companies' stock prices, said Ian Weinberg, a certified financial planner.

"The rising fortunes of major economies around the globe, including the United States, is perhaps the biggest underappreciated influence, more broadly speaking," he said. "It **is something that we haven't seen for several years occurring within the backdrop while** interest rates are still relatively low."

Each time the Dow goes up, the percentage gain matters less and less in overall terms. In 1972, a 100-point increase in the Dow represented a 10 percent upswing. Today it's less than half of 1 percent.

That hasn't stopped Trump from trumpeting the stock market's performance as proof of how well the economy is doing under his watch, even as the dollar has weakened —

and even though the Dow is not the economy itself, merely a sampling of public companies.

"The reason our stock market is so successful is because of me," Trump said in November 2017 as the Dow was around 24,000.

"We're setting a record literally all the time," Trump said last week, the same week it broke 26,000. **"And I'm telling you, we have a long way to go."**

If the market does go down, it will most likely be because of actions taken by the Federal Reserve that lead to the availability of credit becoming scarce, said Jurrien Timmer, director of global macro at Fidelity Investments. "We are still a ways away from that."

"I expect the Fed to tighten more and faster than the market is currently pricing in, which could send real rates higher and tighten financial conditions," Timmer said. **"That suggests that stock prices will rise at a slower pace [in 2018] than in 2017."**

David Rosenberg, an analyst at Gluskin Sheff, a Canadian wealth management firm, told CNBC: "This is still the same rally that we've been in for the better part of the past eight or nine years. It still has the Fed's thumbprints written all over it."