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Is a Recession Coming — or Are We Talking Ourselves into One?

By Bob Sellers (excerpt)

When the bond market showed an inverted yield curve in late August, the stock market sold off 800 points in a day. When President Trump announced new tariffs on China, which retaliated with its own tariffs, the stock market trended downward and talk started about an impending trade-war recession. Meanwhile, in a world where they don't obsess over breathless news reports minute-by-minute, consumer confidence from the Conference Board in August came in at 131, close to matching the previous month's 135.7, and not too far off last October's 137.9, an 18-year high. And last Friday, the University of Michigan's measure on consumer sentiment rose to 92, from 89.8 in August. And even as the Fed was lowering interest rates by 25 basis points, housing starts in August (released this week) were hitting a 12-year high. ...

... But, of course, things could change in the coming months, especially if the global economy continues to slow. "If headlines continue to predict a recession by citing yield curve inversion and other indicators, eventually it could become a self-fulfilling prophecy," says David Kudla, CEO & Chief Investment Officer at Mainstay Capital Management. "U.S. manufacturing is already in recession," says Kudla, "with the risk that the weakness may become more widespread. It's also very likely that the impact of the tariffs will finally bleed over into Main Street and cause a change in consumer spending habits." ...

... So as the yield curve inverts, the manufacturing sector weakens, and the stock market fluctuates between "head for the hills" and "we're going to hit new highs," consumer confidence continues to move sideways at historically high levels. If the business media are talking us into a recession, so far the consumer isn't listening. And since the consumer accounts for 70% of the economy, that matters.