

## Climbing a Wall of Worry: Consumer Sentiment and the Stock Market

The stock market is within a couple of percentage points of its all-time high, the unemployment rate is at a low 4.3%, and the Consumer Price Index (CPI) has risen only 2.4% over the past year. Despite these encouraging statistics, readings of consumer sentiment have been consistently low over the past several months. The Conference Board's survey at the end of January showed consumer confidence at its lowest level since 2014, and the University of Michigan Survey of Consumer Sentiment data released in February showed readings at similarly low levels.

### UNIVERSITY OF MICHIGAN SURVEY OF CONSUMER SENTIMENT



Data from 1/1/1978–2/22/2026  
Source: University of Michigan Survey

The reasons behind these low readings are varied, but they likely include continued consumer concerns about affordability (particularly in housing), anxiety over AI and its effect on jobs, and uncertainty related to ongoing political controversies and government policies.

While low levels of consumer sentiment might suggest caution regarding the stock market, in fact, consumer sentiment has had a strong inverse correlation with stock market performance over periods following low sentiment readings. The table to the right highlights the performance of the S&P 500 over 12-month periods following various levels of consumer sentiment as measured by the University of Michigan survey. While the S&P 500 averaged a gain of 10.5% over all of the 12-month periods covered (and was positive 79.3% of the time), when the starting point was a consumer sentiment level below 60, the average gain was 14.7% (and was positive 86.4% of the time).

The saying “the stock market climbs a wall of worry” appears to hold true in this case. Historically, low levels of consumer sentiment have paved the way for better markets and a recovery in sentiment over the following year.

### HISTORICAL S&P 500 PRICE CHANGES vs LEVEL OF CONSUMER SENTIMENT

University of Michigan Sentiment Reading	Average S&P 500 Price Change Next 12 Months	Percentage of Time S&P Price Change Is Positive
< 60	14.7%	86.4%
60–70	14.0%	85.3%
70–80	9.7%	80.6%
80–90	8.5%	78.4%
90–100	10.7%	77.1%
> 100	9.1%	74.5%
All Periods	10.5%	79.3%

Data from 1/1/1978–1/31/2026  
Source: FactSet

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## REFERENCED INDEX

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**S&P 500 Index**—The S&P 500 Stock Index is a market capitalization weighted index and consists of 500 stocks chosen for market size, liquidity and industry group representation.

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