After posting gains every single month in 2017 ? the first time in history that?s happened -- and a 6% gain in January of this year, the stock market has hiccuped in February. The S&P 500 Index plunged form a high of nearly 2900 on January 26 to a low of 2650 for a decline of nearly 8% before surging higher again the last two days.

Rising Interest Rates are to Blame

One report indicates that rising interest rates are to blame. And some irony to the story -- which did not go unnoticed by President Trump -- is that a stronger world economy may be the cause of rising rates. Trump tweeted ? In the ?old days,? when good news was reported, the Stock Market would go up. Today, when good news is reported, the Stock Market goes down. Big mistake, and we have so much good (great) news about the economy! Although it's not always the case regarding the president's tweets, this time Trump may have a point. First, the NYTimes reports that ?The Era of Easy Money is Ending, and the World is Bracing for Shocks.? The article asserts that global central banks ? which lowered rates a decade ago in response to the financial crisis ? are now elevating them in response to a more robust economy. That means corporations will have to spend more to borrow money and ordinary people will have to pay more to finance homes, cars, and other purchases. Indeed, after spending the period from March through December under 2.5%, the yield on the 10-year Treasury broke above that mark in January and sits at 2.8% now. Moreover, the yield on the shorter-term 2-year Treasury has had a blistering run, going from less than 1.5% in September 2017 to 2.1% currently. Higher bond yields, in turn, make bonds more attractive, as they compete with stocks for investment dollars.

Higher Wages are also to Blame

Another related catalyst for the stock selloff was the average hourly earnings number (in other words, wages) that increased by 2.9% on Friday. Economists worry that higher wages lead to inflation, since the cost of labor is a main cost of doing business and companies paying more for labor will increase the price of the goods and services they sell. In an article for MarketWatch,. Columnist Rex Nutting disagrees with this theory. He argues that companies can?t push higher labor costs off to customers easily, and wind up having to eat them in the form of lower profit margins. So higher wages don?t cause inflation; they just make companies less profitable Perhaps this is the concern of investors as they drive stock prices down? Of course, it?s possible that higher wages can cause higher prices by increasing consumer demand. Whatever the case, Nutting is right to cite the average hourly earnings number a something that spooked investors at the end of last week.

Good Old Valuation

Last, investors should consider that stock prices can appear to move for one macroeconomic reason or another when the real reason is that they are just too cheap or expensive. Jonathan Clements wrote in MarketWatch today that ?the two popular explanations for why stocks have declined ? because of inflation fear and rising interest rates ? seem pretty thin.? Maybe a Shiller PE (price of the market relative to the past decade?s worth of inflation-adjusted average earnings) of 34, the same level reached in 1929 before the crash, was enough to send stocks down.