Stocks Put Recession Odds at 12% (S&P 500) and 8% (Russell 2000); Anxious Index: 20%

How predictive the stock market is at forecasting recessions, and what today's market is telling us

KEY NUMBERS

As of 11/11/2026	Close	52-wk high	Below high	Deepest since	Recession odds*
S&P 500	7,619	10/6/2026	2.6%	5.9%	**12%**
Russell 2000	2,846	8/14/2026	7.2%	11.3%	**8%**
Anxious Index	Prob. of negative real GDP in 4Q26 (survey of 3Q26)				**20%**

**Market-implied probability of an NBER recession beginning (or under way) within 12 months, from the historical hit rate for the largest 5-point threshold the decline has reached; under 5% = the background rate (chart and tables below). Deepest since = largest decline since that 52-week high.*

SUMMARY

This note looks at how predictive the stock market is at forecasting recessions. We use two indices: the S&P 500, and the Russell 2000, which broadly represent large and small companies respectively. Various thresholds of declines are tested to determine their predictive power, and then implied probabilities of pending recessions are calculated accordingly. We then test this against the Philadelphia Fed's Survey of Professional Forecasters Anxious Index to see how economists do compared to the market. Below are the takeaways:

1. **Today.** The S&P 500 is only 2.6% below its 52-week high, set 10/6/2026. A dip that size has happened 173 times since 1954 and carries no signal on its own, so the S&P is only pointing to the normal odds of a recession starting in any given year: about **12%**. The Russell 2000 is 7.2% below its 8/14/2026 high; Russell declines of 5% have come with a recession **8%** of the time. The Philadelphia Fed's Anxious Index, from professional forecasters, is 20%, implying economists are more fearful of a looming recession than the stock market.
2. **5% pullbacks are hardly predictive.** Since 1954 the S&P 500 has fallen 5% from a 52-week high 86 times (with 12 months of hindsight); only 18 (21%) came with a recession. For the Russell 2000 the 5% hit rate is just 8%. This is essentially telling you that small companies are inherently more volatile, and thus their recession prediction powers require greater declines.
3. **The odds climb with the depth of the decline.** S&P hit rates: 36% at 10%, 47% at 15%, 64% at 20% (a bear market) and 83% at 30%. The Russell needs a deeper fall to mean the same thing: 12% at 10%, 33% at 20%, 50% at 30%.
4. **Deep declines come after the recession starts – but before the NBER says so.** Of the 7 S&P bear markets that came with a recession, 5 crossed −20% *after* the recession had begun. But no one knows a recession has begun until the NBER dates it, which on average is 7 months after the start. Of the 4 recessions since 1980 with a 20% S&P decline, the fall came before the NBER's call in 3; the first 10% decline came before the call in 6 of 6.
5. **The early warning is at 10%.** In 9 of the 10 recessions since 1957 the S&P first fell 10% from its 52-week high *before* the recession began, but 21 of 33 10% declines were false alarms.
6. **Both raise their odds before a recession, but forecasters raise them more.** Since 4Q68 the Anxious Index averaged 14% in ordinary expansion months, 24% in the 12 months before recessions and 33% in the last 3 months. The S&P-implied reading averaged 18%, 20% and 25%. Once the recession was under way, the S&P reading jumped to 50%, vs. 45% for the Anxious Index.

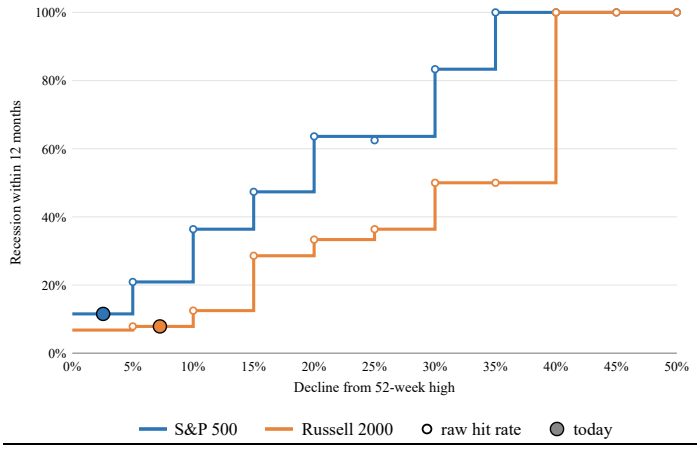
THE TEST

Each decline is measured from the index's 52-week closing high (its highest close of the past year), and only a new 52-week high resets it. A market that drops 5%, rallies 4% and then drops another 8% has had one decline of about 9%, not two 5% declines. For each threshold we record the first close at least that far below the high and check the NBER calendar: was a recession already under way, did one start within 12 months ("ahead"), or neither (a false alarm)? Declines less than a year old are left out because the answer isn't known yet.

The NBER calendar is written after the fact. Its Business Cycle Dating Committee (formed in 1978) has announced each recession 3 to 11 months after it began, so a decline that comes "after the start" can still warn well before the official call. We test both: against the recession's start date, and against the date the NBER announced it.

Why the 52-week high and not the all-time high? After the 1973, 2000 and 2007 peaks the S&P took five to seven years to get back to its record. Measured from the old record, the market would have looked like it was warning of recession for years after those recessions had ended.

RECESSION ODDS BY SIZE OF THE DECLINE FROM THE 52-WEEK HIGH



Hit rate = share of declines of that size followed by (or during) an NBER recession within 12 months. The odds step up at each threshold the decline has reached and never fall as it deepens; below 5% = background rate. Large dots = today.

S&P 500: DECLINES FROM A 52-WEEK HIGH, 1954–2026

Decline	Episodes	Recession	Ahead	Under way	False alarm	Hit rate	Lead (mo.)	False-alarm years
5%	86	18	15	3	68	**21%**	9	68 episodes
10%	33	12	9	3	21	**36%**	6	21 episodes
15%	19	9	3	6	10	**47%**	5	10 episodes
20%	11	7	2	5	4	**64%**	1	’62, ’66, ’87, ’22
25%	8	5	1	4	3	**62%**	0	’62, ’87, ’22
30%	6	5	0	5	1	**83%**	–	’87
35%	2	2	0	2	0	**100%**	–	
40%	2	2	0	2	0	**100%**	–	
45%	1	1	0	1	0	**100%**	–	

Episodes = declines reaching that size with 12 months of hindsight. Ahead = the recession began after the decline reached that size; Under way = it had already begun. Lead = median months from the crossing to the recession start, for “ahead” cases. Declines in 2025–26 are counted once they are a year old (2025’s 19% decline was a false alarm).

RUSSELL 2000: DECLINES FROM A 52-WEEK HIGH, 1988–2026

Decline	Episodes	Recession	Ahead	Under way	False alarm	Hit rate	Lead (mo.)	False-alarm years
5%	51	4	4	0	47	**8%**	9	47 episodes
10%	24	3	3	0	21	**12%**	5	21 episodes
15%	14	4	2	2	10	**29%**	12	10 episodes
20%	12	4	1	3	8	**33%**	12	’98, ’02, ’10, ’11, ’16, ’18, ’22, ’25
25%	11	4	1	3	7	**36%**	12	’98, ’02, ’11, ’16, ’18, ’22, ’25
30%	6	3	0	3	3	**50%**	–	’98, ’02, ’22
35%	4	2	0	2	2	**50%**	–	’98, ’02
40%	2	2	0	2	0	**100%**	–	
45%	1	1	0	1	0	**100%**	–	

Only four recessions since the Russell sample begins in 1988 (1990, 2001, 2008, 2020), so each one moves the hit rate a lot. Small caps fall further and more often, so a given decline means less.

The two indices tell the same story. Shallow declines are routine: the S&P has had 86 5% declines since 1954 but only 10 recessions. The S&P’s hit rate passes 50% only at a 20% decline, and the Russell’s reaches 50% only at 30%. The Russell’s false alarms include 1998 (LTCM), 2002 (after the 2001 recession had ended), 2010–11 (Europe, the debt-ceiling downgrade), 2015–16 (oil, China), 2018, 2022 and 2025.

EVERY RECESSION SINCE 1957

Recession began	S&P max fall	Mo. from −10%	Mo. from −20%	Russell max fall	Mo. from −10%	Mo. from −20%
Sep 1957	21%	+9	-2	–	–	–
May 1960	14%	+2	never	–	–	–
Jan 1970	33%	+6	-4	–	–	–
Dec 1973	44%	+7	0	–	–	–
Feb 1980	17%	+11	never	–	–	–
Aug 1981	23%	-1	-7	–	–	–
Aug 1990	20%	+6	never	32%	+6	-1
Apr 2001	34%	+12	+1	28%	already*	+12
Jan 2008	53%	+1	-6	55%	+5	-1
Mar 2020	34%	0	0	42%	+12	0

*Max fall = deepest close below the 52-week high from 12 months before the recession through its end. Mo. from −X% = months the first X% decline in that window came before (+) or after (−) the recession began; never = no X% decline in the window. *Already that far below its 52-week high when the window opened.*

The S&P fell at least 10% around all 10 of the 10 recessions since 1957 and at least 20% around 7. The misses at 20% were the mild 1960–61, 1980 and 1990–91 recessions. So the market rarely misses a recession; its problem is the false alarms and the timing.

THE MARKET VS. THE NBER’S ANNOUNCEMENT

Recession began	NBER announced	Lag (mo.)	S&P −10%	S&P −20%	Russell −10%	Russell −20%
Feb 1980	6/3/1980	4	+15	never	–	–
Aug 1981	1/6/1982	5	+4	-2	–	–
Aug 1990	4/25/1991	9	+15	never	+15	+8
Apr 2001	11/26/2001	8	+19	+9	already*	+19
Jan 2008	12/1/2008	11	+12	+5	+16	+10
Mar 2020	6/8/2020	3	+3	+3	+15	+3

*Index columns = months the first 10% / 20% decline from a 52-week high (12 months before the recession through its end) came before (+) or after (−) the NBER’s announcement; never = no decline that large. Lag = months from recession start to the announcement. *Already below the threshold when the window opened. Recessions before 1980 had no real-time NBER call.*

Measured against what people could actually know at the time, the market looks much better. The NBER took 7 months on average to announce the last six recessions (11 months in 2008). The S&P’s first 10% decline came before the announcement every time, by 3 to 19 months. Its 20% decline beat the announcement in 2001, 2008 and 2020; the one late case was 1981–82, when the S&P reached −20% about 2 months after the NBER’s January 1982 call. In 1980 and 1990 it never fell 20%. A bear market is a late signal that a recession has started, but it usually arrives before the official word.

STOCK MARKET VS. THE ANXIOUS INDEX

The Philadelphia Fed’s Anxious Index is the average probability that professional forecasters in its Survey of Professional Forecasters put on a fall in real GDP in the next quarter. It is a narrower question (one quarter of negative GDP, not a full recession within 12 months), but it is the standard survey gauge of recession risk, so it is a useful yardstick.

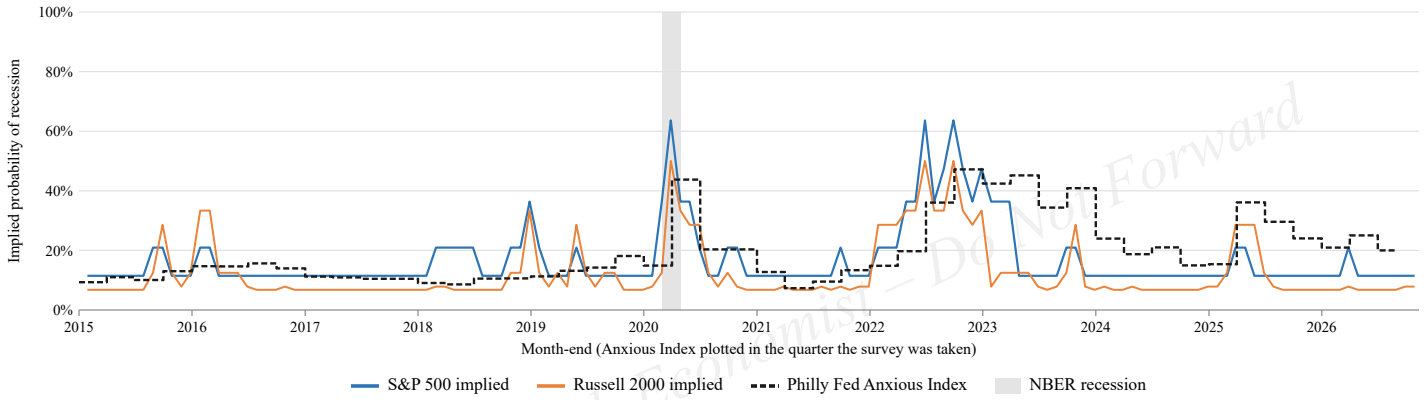
Property of The Curb Economist — Not Forward

Average reading	Other expansion months	12 mo. before recession	3 mo. before recession	In recession	Lift (12 mo.)
S&P 500 implied	18%	**20%**	**25%**	50%	+2 pp
Anxious Index	14%	**24%**	**33%**	45%	+10 pp
Since 4Q88 (Russell 2000 history)					
S&P 500 implied	17%	**18%**	**25%**	57%	+1 pp
Russell 2000 implied	11%	**14%**	**15%**	37%	+3 pp
Anxious Index	15%	**17%**	**24%**	48%	+2 pp

Monthly averages, 4Q68 (first Anxious Index survey) to Nov 2025 (last month with 12 months of hindsight). 12 mo. before = all 12 months before a recession began; 3 mo. before = the last 3 of them. Lift = 12 months before less other expansion months, in percentage points.

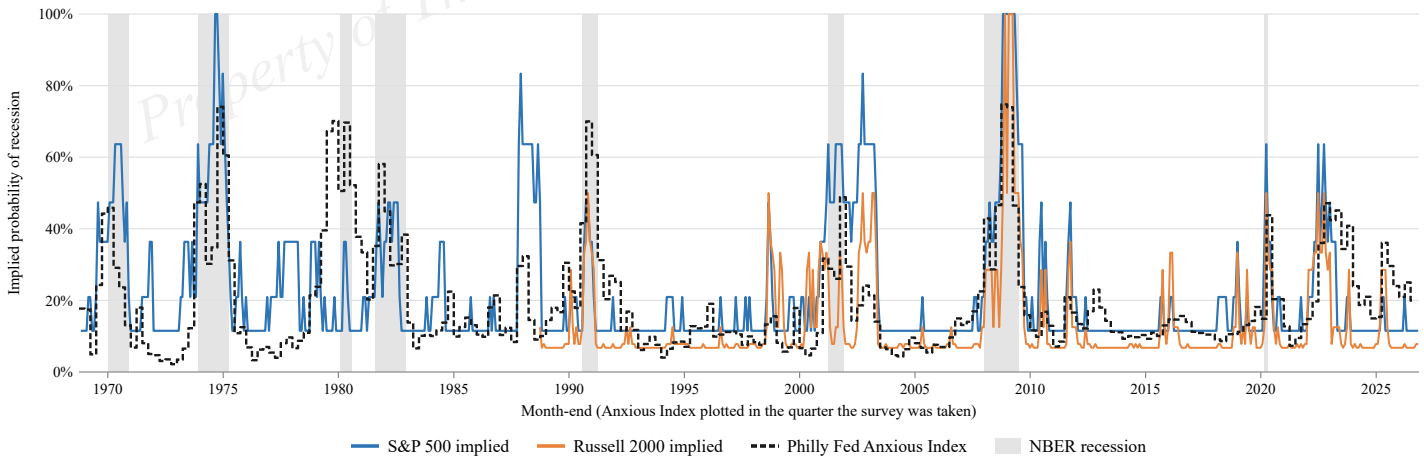
Both gauges rise before a recession, and both rise most in the final three months. The forecasters' rise is bigger: the Anxious Index goes from 14% in ordinary expansion months to 33% in the last three months before a recession, while the S&P reading goes from 18% to 25%. Once the recession arrives, the two end up close together: 50% for the S&P and 45% for the Anxious Index. The practical read: a market near its high, as now, argues against recession; a fresh 10%+ decline is worth watching; a 20% decline mostly confirms a recession that has already started, though usually before the NBER makes it official.

MARKET-IMPLIED ODDS VS. ANXIOUS INDEX, SINCE 2015



2020 was the only NBER recession in this period. 2018, 2022 and 2025 declines were false alarms; the Russell 2000 has had two 11% declines in 2026.

MARKET-IMPLIED RECESSION ODDS VS. THE PHILADELPHIA FED ANXIOUS INDEX, 1968–2026



Implied odds = each month-end decline from the 52-week high mapped through the hit-rate curve above (in-sample). Anxious Index = SPF mean probability of negative real GDP growth next quarter. Shading = NBER recessions.

Method: daily closes for the S&P 500 (^GSPC) and Russell 2000 (^RUT) from The Curb Economist*'s index history files (Yahoo Finance), through 11/11/2026. Prices only, no dividends, not inflation-adjusted. Declines are measured from the 52-week high (highest close of the prior 252 trading days, including the current day). The S&P sample starts 9/22/1954 (post-war; recessions from 1957); the Russell sample starts 9/8/1988, a year after its history begins, so its first 52-week high covers a full year. Recessions: NBER business-cycle peaks and troughs; a recession runs from the month after the peak through the trough month. No recession has been dated after April 2020 (NBER dates recessions with a lag). Hit rates are in-sample and based on few recessions (10 for the S&P, 4 for the Russell), so treat them as rough odds. Implied probability: hit rate for the largest 5-point threshold the decline has reached (a 7% decline uses the 5% rate), never falling as the decline deepens; thresholds with fewer than two episodes are dropped. Below 5% it is the background rate: the share of days within 5% of the 52-week high (outside recessions) followed by a recession within 12 months, 11.5% for the S&P and 6.8% for the Russell. NBER announcement dates: Business Cycle Dating Committee releases (6/3/1980, 1/6/1982, 4/25/1991, 11/26/2001, 12/1/2008, 6/8/2020). Anxious Index: Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters, latest survey 3Q26. Source:* TCE *Recession Predictor workbook.*

Property of The Curb Economist — Do Not Forward