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What to watch

Home price index holds signs for economy

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When the stock market is at all-time highs, you have to wonder just what could make the wheels on this particular bus come off. Today we'll have one candidate. The monthly Standard and Poor's/Case-Shiller home price index.

A robust housing market is important to the economic recovery. When your home rises in value, you feel wealthier and more inclined to spend. Rising home prices also mean that more people are buying homes — and when you buy a home, the spending doesn't stop at the closing. You have to buy curtains, furniture and plastic lawn gnomes, too.

The S&P/Case-Shiller index tracks the prices of existing homes, rather than new homes. In June, the latest data available, home prices fell 0.3% from May on a seasonally adjusted basis. A steep drop today could signal a flagging housing market — bad news on Wall Street.

Brent Campbell at Moody's Analytics notes that most foreclosures have been cleared from the market, and that mortgage applications have been lackluster.

But a modest slowdown in the market wouldn't be the worst thing. On a year-over-year basis, home prices in 20 major metropolitan areas were up 9.3% at the end of June. The consensus for July is a 0.1% monthly gain and a 8.4% year-over-year gain, according to Bloomberg.

Going forward, gains in the housing markets should come from a growing job market — not just investors snapping up cheap houses. That would be good news.