

CHART OF THE MONTH

DECEMBER 2018

"All the News That's Fit to Print" **The New York Times** Late Edition
 New York: Today, increasing clouds; High 52-61. Tonight, cloudy, breezy; showers likely. Low 33-37. Tomorrow, showers ending; High 58-63. Yesterday: High 48, low 45. Details on page B6.

STOCKS PLUNGE 508 POINTS, A DROP OF 22.6%; 604 MILLION VOLUME NEARLY DOUBLES RECORD

U.S. Ships Shell Iran Installation In Gulf Reprisal

Offshore Target Topped a Base for Gunboats
 By STEVEN V. ROBERTS
 WASHINGTON, Oct. 19 — United States naval forces struck back at Iran today for attacks on American-registered vessels and other Persian Gulf shipping by shelling two concealed offshore platforms that American officials said were a base for Iranian gunboats.



Does 1987 Equal 1929?

By ERIC GELMAN
 Moore, director of the Center for International Business Cycle Research at Columbia University.
 It's true, there are some startling similarities between the current era and the pre-Depression years. Like the Roaring Twenties, the 1980's have seen an astonishing boom. Wall Street, New York, individual and corporate debt are high, and some sectors of the economy are extremely weak. Trade relations are strained, with protectionist sentiment growing.
 But today's economy is better equipped to handle financial shocks. "I don't see this decline in the stock market."



WORLDWIDE IMPACT

Frenzied Trading Raises Fears of Recession — Tape 2 Hours Late

By LAWRENCE J. DEMARCA
 Stock market prices plunged in a tumultuous wave of selling yesterday, giving Wall Street its worst day in history and raising fears of a recession. The Dow Jones industrial average, considered a benchmark of the market's health, plummeted a record 508 points, to 1,739.74, based on preliminary calculations. That 22.6 percent decline was the worst since World War I and far greater than the 11.8 percent drop on Oct. 28, 1929, that along with the next day's 11.7 percent decline preceded the Great Depression.
 Since hitting a record 3,722.42 on Aug. 25, the Dow has fallen almost 1,000 points, or 26 percent, putting the benchmark indicator 127.5 points below the level at which it started the year. With Friday's plunge of 196.55 points, the Dow has fallen more than 25 percent in the last two sessions.
Unprecedented Trading
 Yesterday's frenzied trading on the nation's stock exchanges flied volume to unheard-of levels. On the New York Stock Exchange, an estimated 604.3 million shares changed hands, almost double the previous record of 338.3 million shares set just last Friday.
 With the tremendous volume, reports of brokers' trades on the New York

In search for perspective in the midst of the current market correction, we take a look back at the crash that occurred on October 19, 1987, when the Dow Jones Industrial Average fell 508 points to 1739, a 22.6% decline, the largest single-day percentage loss in history.

Louis Rukeyser, the award-winning host of the iconic *Wall Street Week* for more than three decades, was deemed to be a "port in the storm" as compared to the present era of short-term-oriented financial journalists. In the aftermath of "Black Monday," Rukeyser [opened his weekly show on Friday, October 23, 1987](#) in the following calm, sensible manner that is worth revisiting.

"OK, let's start with what's really important tonight. It's just your money, not your life. Everybody who really loved you a week ago still loves you tonight – and that's a heckuva lot more important than the numbers on a brokerage statement. The robins will sing. The crocuses will bloom. Babies will gurgle and puppies will curl up in your lap and drift happily to sleep, even when the stock market goes temporarily insane. And now with that all fully in perspective, let me say, 'Ouch! And eek! And medic!'...

Meanwhile, let's keep the windows sealed and our hearts calm. In the immortal words of Adlai Stevenson, 'I'm too old to cry, but it hurts too much to laugh.'

It seems that everyone in America with access to a microphone has been telling us this week with stunning hindsight precisely why the Dow Jones Industrials took a record 508 point, 22.6% nosedive Monday. We heard about rising interest rates. We heard about the trade deficit. We heard about the budget problem. We heard about leadership worries. And, if we were to believe yesterday's presidential news conference, most of my colleagues in the Washington press corps appear to be convinced that the root of the problem is that we just haven't raised taxes enough. All fascinating theories to be sure but the difficulty is none of these problems was born at 9:30 Eastern Time Monday morning ...

Time alone will tell whether Black Monday enters the history book as the day that American confidence was so shaken that a premature recession resulted or merely as the day the computers went wild and, through the wonders of so-called program trading, turned what was a small correction into an early Halloween ...

The jury is still out on whether the great bull of the 1980s is indeed dead as most commentators seem to assume this week or deeply gored ... Small consolation to be sure for those whose pocketbooks were severely wounded this week but useful in distilling the headline hysteria."

As it turned out, the bull market was deeply gored but far from dead. To wit, the market fully recouped all of its "losses" in 18 months and increased more than 13-fold over the following 31 years as measured by the DJIA. From the peak in August 1987, the compound average annual return has been 9.8% including dividends, a period that encompassed three recessions and bear markets (1990, 2001-2002, and 2008-2009).

While there are no guarantees that the next three decades will be as profitable as the last three, we believe a bit of history (and perhaps nostalgia) is in order given the turbulence in the market over the past three months.

Dow Jones Industrial Average
 12/31/1986 – 12/18/2018

