



In One Month, Wall Street Has Taken Back All of Trump's Gains

On January 19, 2017, the day before President Trump was inaugurated, the Dow closed at \$19,804. On February 12, 2020 the Dow closed at \$29,551. One month later, [on March 18, the Dow closed at \\$19,500.](#)

In two weeks, millions of Americans will be receiving statements showing the balances remaining in their 401(k)s and their IRAs. Others will be opening their brokerage account statements.



Those not paying attention are in for a shock. Those who have been paying attention are also in for a shock. For those who thought they'd put away \$10,000, their balances are now \$6,600. For those who had \$25,000 socked away, they now have \$16,500. For those with \$50,000, their balance is now \$33,000. For those who thought they had \$100,000 parked safely away, they now have just \$66,000.

After recovering from the shock, those investors and plan holders are going to be asking: How much worse is it likely to get? How long before my accounts start to grow again? Will we ever see new highs again?

Only by looking through the rear window of history can one begin to answer these questions.

The great bull market run during the Roaring Twenties pushed the Dow to an all-time high on September 3, 1929. When investor Roger Babson warned two days later, "Sooner or later a crash is coming, and it may be terrific," the market lost three percent.

Two weeks later, British investor Clarence Hatry and several of his associates were jailed for fraud and forgery, which unnerved American investors.

On October 24, the market lost 11 percent of its value, earning that date the title of "Black Thursday." Over the weekend, many investors decided it was time to take some profits. The selling on Monday, October 29, pushed the Dow down nearly 13 percent, giving that date the title of "Black Monday." The next day there was so much selling (partly due to margin calls on investors who had borrowed money to buy stocks) that for some stocks there were simply no buyers at all, and the Dow dropped another 12 percent, a decline of 25 percent in two days.

The market briefly stabilized and then began a long, slow, agonizing descent which ended in July 1932 with the Dow having lost 89 percent of its value in less than three years.

There are a few takeaways that apply to today. The economy had been showing ominous signs of weakness months before Black Thursday: Car sales had stalled, slowing steel production. Construction had flattened. Consumers were heavily in debt thanks to easy money policies adopted by the Federal Reserve.

Thanks to socialist policies inflicted on the economy under the Roosevelt administration, the stock market didn't recover until after the end of World War II, in 1945.



Written by [Bob Adelman](#) on March 19, 2020

On Monday, October 19, 1987, the Dow lost 22 percent, earning that date the same as in 1929: “Black Monday.” That crash was preceded by significant volatility the week before, causing investors in mutual funds to redeem their shares over the weekend. Under rules then in force, those mutual funds allowed shareholders to sell at Friday’s closing prices.

So when the market opened on Monday, there was a huge wave of selling by those funds that overwhelmed the market. Orders to sell were sometimes delayed for more than an hour before being executed. Large fund transfers were delayed for hours and various trading platforms shut down under the selling pressure.

In retrospect, Black Monday in 1987 represented one of the greatest buying opportunities in recent times. After touching a second bottom in December, the Dow was launched into a decades-long recovery, restoring investors’ confidence (and their investment accounts) during that recovery.

In two years, the Dow was back to where it was before Black Monday (\$2,722). By August 1997, 10 years later, the Dow was trading at \$8,200, a gain of almost 5,500 points.

The Great Recession of 2007-2008, covered more than adequately in the film *The Big Short*, was caused by easy-money policies of the Federal Reserve. History reminds investors of such concepts as “sub-prime mortgages” and “collateralized debt obligations” that have faded with the passage of time.

The Dow touched an all-time high of \$14,000 in October 2007. It then entered a long, slow, and painful decline, hitting a trough of \$6,600 in March, 2009.

Once again that formed the base for the longest bull run in stocks in U.S. history, ending in February 2020 when the Dow touched \$29,551 on February 12.

The differences today are more important than the similarities. The Fed, until recently, has remained remarkably dormant, slowing selling off some of its enormous holdings of U.S. treasuries accumulated during the Great Recession. That has kept price increases below two percent. The economy has enjoyed one of the most amazing recoveries in history, putting millions of people back to work and improving families’ standards of living by over \$5,000 a year. The stock market reflected that ebullience and positive expectations for more improvements to come, especially in light of the likely reelection of the president who has promised more tax cuts and fewer new regulations during his second term.

Concerns over the COVID 19/coronavirus have, with the help of a compliant media, morphed into a panic, coupled with OPEC’s decision to flood the market with oil. The decline in stocks has been breathtaking.

With the Dow opening on Tuesday at around \$19,700, another buying opportunity is close at hand. How close? With the increasingly likelihood that the virus will be short-lived, the stock market just might find its footing very soon.

For those asking questions, a good one to ask is this: What is your investment time horizon? If past history is any indication, the Dow could easily be trading at multiples of its present value in 10 years.

Image: MicroStockHub via iStock / Getty Images Plus

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