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U.S. MARKETS

Stocks Suffer Biggest Weekly Losses Since 2008

Dow industrials fall about 350 points amid investor unease about economic fallout from coronavirus

By Gunjan Banerji

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U.S. stocks extended a punishing selloff, dragged to their worst week since the financial crisis by mounting investor unease about the economic fallout from the coronavirus epidemic.

Friday's session was marked by wild swings that sent the Dow Jones Industrial Average down more than 1,000 points before it rallied around 640 points in the final minutes of trading. The Nasdaq Composite fell as much as 3.5% before bouncing higher to narrowly close in positive territory—the first time the index has fallen by that much and notched a gain for the day since November 2008, according to Dow Jones Market Data.

Some of the most dramatic moves happened after the Federal Reserve's unexpected attempt to calm markets at the very tail end of a volatile week. Late in the afternoon, Fed Chairman Jerome Powell signaled that the central bank was prepared to cut interest rates to protect the economy from the widening global slowdown. Stocks initially pared losses after the announcement, dropped again, then climbed rapidly into the close.

Still, the weekly losses were broad. The Dow Jones Industrial Average fell 12.4% this week, a drop of more than 3,500 points, capping off its worst month since 2009. All 11 of the S&P 500's sectors have fallen into negative territory for the year. About 95% of stocks in the broad index are now down more than 10% from their highs, according to Dow Jones Market Data.

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Traders and investors described a feeling of mounting apprehension throughout the week, as major U.S. indexes logged a series of slides unseen in years and bond yields fell to historic lows.

The Dow Jones Industrial Average closed down 357.28 points, or 1.4%, at 25409.36 on the last trading day of the month. The S&P 500 fell 24.54 points, or 0.8%, to 2954.22. The tech-heavy Nasdaq finished up less than 0.1%. The S&P 500 and Nasdaq logged their worst weeks since October 2008.

As investors ditched stocks, they flocked to traditionally safer assets like government bonds, pushing the yield on the 10-year Treasury note to a new record low of 1.127% in its largest weekly decline since December 2008. The two-year yield, which typically moves with expectations for central bank policy, slid to 0.878%, notching its largest one-week decline since September 2001.

“This has been really quick, really deep and, in some respects, unbelievable,” said Mark Stoeckle, chief executive officer of Adams Funds, who said he’s avoiding trading at the moment. “I believe the market will continue to sell off.”

The stock market plunge unleashed a frenzy of trading among investors big and small as the outlook for economic growth and corporate profits this year darkened, helping fuel the swift decline in stocks and bond yields. Stock trading volumes jumped to a year-long high on Thursday while listed options trading soared to a record.

Japan’s Nikkei 225, South Korea’s Kospi and Australia’s S&P/ASX 200 all fell into corrections.

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About $18 billion left U.S. stock mutual and exchange-traded funds during the week ending Wednesday, the biggest such outflow in nine weeks, according to a Bank of America analysis of data from EPFR Global. Meanwhile, the increased turbulence stoked a jump in trading in retirement funds. Trading activity among investors at large employers was about 11 times higher than normal on Thursday, according to Alight Solutions, a rare occurrence since 2008.

The frenetic activity has helped push the S&P 500 down more than 10% from its highs at unprecedented speed, with the broad index falling from a record into a correction in just six sessions.

Adding to the anxiety: much remains unknown about how far the virus will spread and the true harm it could do to economic growth around the world. Some investors have warned that it is too soon to bet on a swift stock rebound and many are bracing for more volatility.

Zhiwei Ren, portfolio manager at Penn Mutual Asset Management, called Friday's gyrations "very puzzling," attributing the late rally to bargain hunters trying to find attractive values after a brutal week.

Stock markets around the world also fell sharply. The Stoxx Europe 600 index dropped about 12% this week, its biggest one-week fall since October 2008. Japan's Nikkei 225 fell 9.6% this week, its worst since 2016. South Korea's Kospi lost 8.1% this week, its worst since 2011. The Hang Seng shed 4.3% this week.

Selling remained particularly acute in areas such as travel and leisure stocks, with governments taking fresh measures to contain the outbreak and people continuing to cancel travel plans. Shares in Royal Caribbean Cruises lost 24% for the week and American Airlines Group stock fell toward its worst week on record. U.S. crude oil prices logged their worst week since the financial crisis.

In a sharp shift from earlier in the year, when confidence in highflying technology companies and corporate earnings results helped push major U.S. indexes to new heights, shares of tech companies within the S&P 500 were punished as major indexes tumbled from records at a breathtaking pace. The S&P 500 is now off about 13% from its record on Feb. 19.

Bank of America lowered its estimate for global economic growth. Goldman Sachs Group said it is expecting 0% corporate earnings growth in 2020.

"This unfortunately is the perfect storm," said Doug Cohen, managing director at Athena Capital Advisors. "This is not something out of a standard economic textbook."

Mr. Cohen said some of his clients have been worried that the worst isn't yet over and they want to sell their stocks or hedge portfolios to avoid even deeper losses.

In one sign of the anxiety percolating markets, the Cboe Volatility Index, or VIX, jumped to 40.11, the highest close since August 2015. The VIX, which is based on options on the S&P 500, tends to rise when stocks are falling and decline as markets rise.

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And despite Mr. Powell's late-day statement, analysts warn that central banks might not be able to stem declines in the face of an epidemic that has a jittery public nixing travel and curbing spending.

"I personally can't see why cheap money will stop this rout because this is the type of uncertainty that isn't economic. It isn't about Trump and trade uncertainty. This is about you and I deciding that we are going to change our behaviors for a while," said Neil Dwane, global strategist at Allianz Global Investors.

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