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U.S. MARKETS

Stocks Wrap Up Haywire Week With a Rally

Investors grit teeth through a week that saw the Dow's biggest drop since 1987, followed by its biggest gain since 2008

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Investors braved a whiplash week for stocks that landed major indexes in a bear market for the first time in 11 years, as fears about the coronavirus's effect on people and business swelled.

The chaotic period on Wall Street continued Friday, with the Dow Jones Industrial Average staging its biggest surge in more than a decade one day after registering its biggest selloff since 1987. For the week, the index finished 10% lower.

Stocks swung on Friday before making a stunning rally in the last minutes of the trading session to push indexes to their best single-day gains since 2008. The Dow rose 1,985 points, or 9.4%, to 23185.62. The S&P 500 jumped 230.38 points, or 9.3%, to 2711.02. The Nasdaq Composite added 673.07 points, or 9.3%, to 7874.88.

Big swings in the final minutes of trading have become a staple of the recent market tumult. Despite Friday's surge, all three major indexes finished the week with losses of at least 8%. The S&P and Nasdaq remain 20% below their record highs set last month; the Dow is down 22% from its peak.

In one sign of how topsy-turvy the week was, the S&P moved up or down by at least 4% for five consecutive sessions, the longest such streak since 1929, according to Dow Jones Market Data.

Fears about how far and wide the global coronavirus pandemic would spread have triggered a rush out of riskier assets like stocks and commodities, despite action from the Federal Reserve and attempts by lawmakers and the White House to reassure investors and the public.

President Trump declared a national emergency over the pandemic Friday, opening access to $50 billion in financial assistance for states, localities and territories.

People's trips for work and leisure have been canceled, organizers nixed conferences and major sports leagues put operations on hold. Many people are staying home, which will cut back on spending and potentially crimp key sources of economic growth over the past decade. Much remains unknown about the virus and its potential reach, adding to investors' unrest.

Those ripple effects, combined with an energy fight between Saudi Arabia and Russia that tanked oil prices early in the week, posed hurdles that the 11-year-old bull market wasn't able to overcome.

"It was a fun ride," said R.J. Grant, director of equity trading at KBW, of the 11-year bull market. "All good things come to an end."

Mr. Grant said news of how far and wide coronavirus could spread spurred even more selling earlier in the week. He described a sense of unease among people.

"Panic has taken hold to some extent," Mr. Grant said. "You're just getting people that are not feeling good about the state of the world."

The Fed said Friday it would accelerate planned purchases of Treasury securities, buying more than $30 billion in bonds to address poorly functioning markets. The move is the central bank's third notable step since volatility gripped the markets. Earlier this week, it said it would inject more than $1.5 trillion into short-term funding markets on Thursday and Friday to prevent ominous trading conditions from creating a sharper economic slowdown. Last week, it enacted its first emergency interest-rate cut since the financial crisis.

The measures are being put into place as the U.S. and world economies look increasingly likely to slip into recession with expanding swaths of commerce being shut down amid the pandemic. The coronavirus crisis has sent shock waves through stock, bonds and commodities markets, prompting sharp swings in U.S. Treasury yields, which rise when bond prices fall.

Further alarming some investors is that the traditional relationships between stocks, bonds and gold broke down at times this week as investors rushed to sell broadly across asset classes, leading to huge concurrent price drops. Typically as stocks fall, assets like Treasurys and gold appreciate.

In recent days, yields have risen despite declines in stocks. On Friday, the yield on the benchmark 10-year bond edged up to 0.946%, bouncing from a record low earlier in the week and logging the biggest one-week yield gain since September.

The concurrent swoon across asset classes was a sign of how extreme the anxiety on Wall Street had gotten. Money managers appeared to be dumping assets across the board to raise cash. Gold prices logged their biggest one-week decline since September 2011.

"Things are still rocky. Volume is low," said Jim Vogel, an interest-rate strategist at FHN Financial. "People are used to the Treasury market being a reliable signal. It creates a second order of confusion."

Yields pared some gains after the University of Michigan's survey showed the coronavirus and the stock-market selloff are chipping away at Americans' economic outlook, one of the many economic data points investors will be parsing to gauge how the virus is affecting businesses and consumers in the U.S.

On two occasions in the past week, stocks fell so hard and so fast that for the first time in 23 years, circuit-breakers were triggered that froze the entire market for 15-minute spans. Investors searched for protection in the options market, sending prices higher and driving the Cboe Volatility Index, known as Wall Street's "fear gauge," to its highest level since the financial crisis this week.

To some, the jolts of volatility in recent weeks were reminiscent of dark moments during the financial crisis. "When you go weeks and weeks of constant selling pressure, it's pretty brutal on the psychology," said Mike Bailey, director of research at FBB Capital Partners.

The Dow fell 10% on Thursday after President Trump announced a 30-day ban on some travel from Europe into the U.S. It was the largest one-day drop since the 1987 stock-market crash, what became known as Black Monday. Abroad, the pan-continental Stoxx Europe 600 plummeted 11.5% on Thursday, its largest decline on record, dragging the index to a level not seen since 2013. On Monday, oil prices tanked the most since the Gulf War of 1991 as a price fight between Saudi Arabia and Russia escalated.

Some traders said it was hard to transact at times and that liquidity, or how easy it is to get in and out of positions, worsened in certain markets. That was apparent in Treasurys and other markets throughout the week.

"We need to be able to transact constantly to manage our risk," said Zhiwei Ren, a portfolio manager at Penn Mutual Asset Management, who said he felt handcuffed at times by how costly it was to trade across asset classes, credit in particular. "Sometimes you want to do something, but you can't do it."

Mr. Ren said he has grown pessimistic about the world economy and has been selling exposure to stocks this week as the rout continued. He thinks the worst isn't over for the stock market. He started unloading stocks in late February as major U.S. indexes were close to highs.

Then the S&P 500 swiveled into a bear market in just 16 trading sessions, a record pace. The speed at which markets went from calm to frenzied has alarmed traders across Wall Street.

Just weeks ago, corporate earnings and a domestic economy that was humming along led stocks to fresh highs.

“Are we going to a global recession? It’s becoming more likely,” said Kevin Ferret, a rates and derivatives strategist at Société Générale, adding that he doesn’t expect the swings in markets to stabilize.

Oil prices fell. Brent crude logged its biggest weekly decline since December 2008, falling 25% this week to $33.85. Prices are down 49% from where they started the year.

In Asia on Friday, most major indexes closed down after a volatile day that prompted some exchanges to impose short trading halts. Japan’s Nikkei declined 6.1%. Australia’s ASX 200 index closed up 4.4% after its central bank provided an $8.8 billion to its banks in short-term borrowing known as the repo market. India’s Sensex index rose 4% after the Reserve Bank of India also said that it would inject cash into markets.

While central banks had moved quickly to cut interest rates and make sure funding was available for banks and companies, that isn’t enough, according to Tai Hui, chief market strategist for Asia at J.P. Morgan Asset Management.

“Governments will need to accelerate their fiscal support” to limit the negative impact on businesses and low-income families, Mr. Hui said. Investors are now pricing in a U.S. recession, he said.

Markets are likely to stay volatile, and global coronavirus infection rates have shown no signs of peaking, said Eli Lee, head of investment strategy at the Bank of Singapore.

“The rout started from valuations at fairly rich levels, and deep value has not sufficiently emerged for bargain hunters to show up in force,” Mr. Lee said, noting that global stocks had been comparatively expensive before the recent selloff began.

Traders at the New York Stock Exchange listen to President Trump's televised speech as the market rallied sharply Friday.

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Adding to the uncertainty for people around the world and traders on Wall Street is that no one is able to pinpoint the true human or economic impact of its spread. The steps likely to help contain the virus will also hamper economic growth.

"It's a really interesting conundrum because we know the very thing that's going to damage the economy the most is probably going to be the most effective in controlling the virus," said John Cunnison, chief investment officer at Baker Boyer.

Mr. Cunnison said the calls he has gotten from clients haven't been the nervous ones many would expect. One of the biggest lessons from the last financial crisis is that it didn't pay to sell in a panic when markets tanked. U.S. stocks notched a recovery that lasted more than a decade after the crisis ended.

"The majority of the calls have been: "John, when do we buy?" Mr. Cunnison said.

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