U.S. Stock Futures Rise as Investors Hit Desks After Brutal Week

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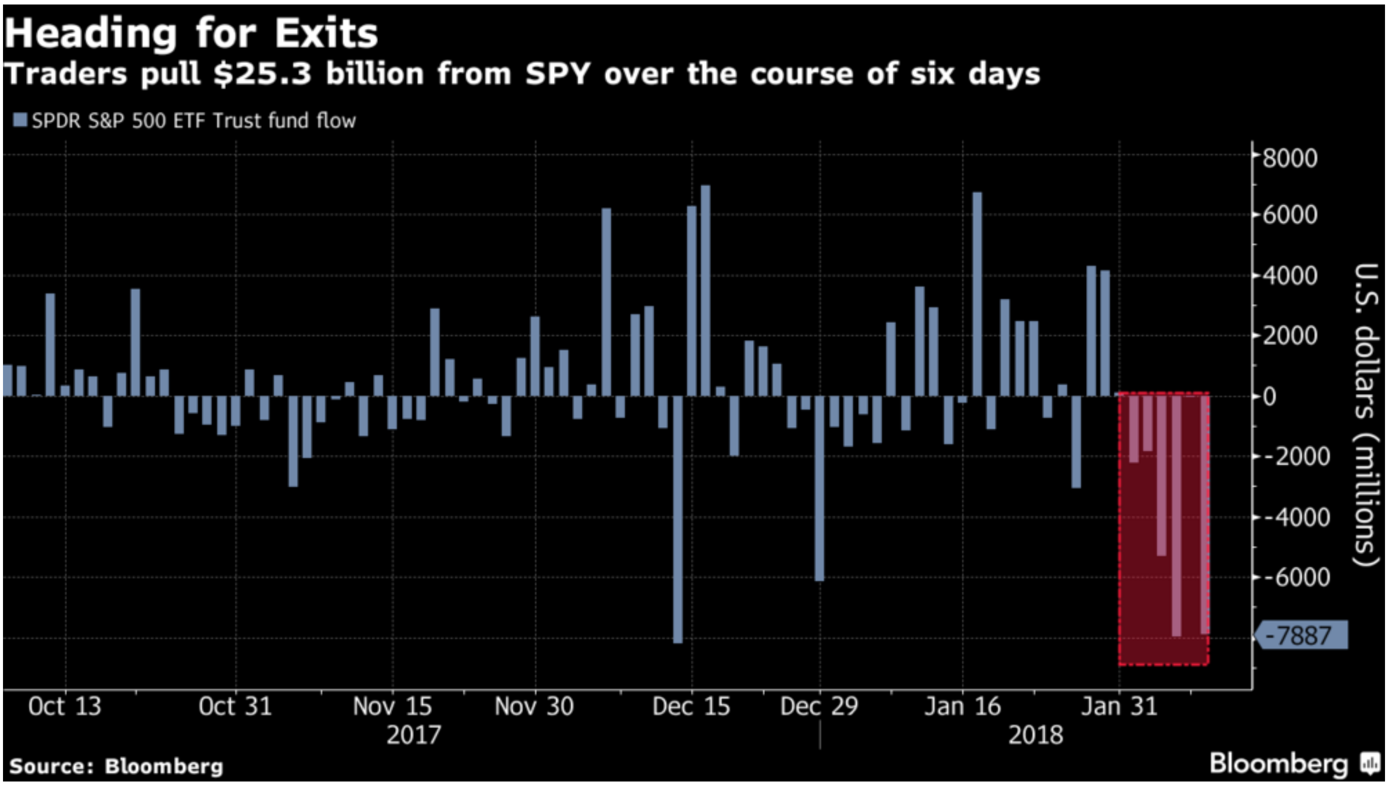
- Fund firms say they heard little panic from clients amid rout
- Bounce lingers from Friday as advisers grope for perspective

Investors welcomed a rare respite from volatility as U.S. stock futures resumed after a week that saw two of the biggest single-day percentage drops in seven years.

“Futures can move around quite a bit, but what I will be watching for is a stable ‘green’ in the futures coming into tomorrow,” said Walter “Bucky” Hellwig, a Birmingham, Alabama-based senior vice president at BB&T Wealth Management, who helps oversee about $17 billion. “This will show that the S&P didn’t hold on to its 200-day moving average by accident, and this confidence is going to pull more buyers into the market.”

March contracts on the S&P 500 rose 0.7 percent at 6:07 a.m. in London, following a weekly decline that at its worst point was the largest since the financial crisis. Futures on the Dow Jones Industrial Average added 0.7 percent, while the Nasdaq 100 Index was up 0.5 percent.

While two tranquil years have been shattered, few strategists or fund managers said clients were panicking. Instead, people are calling who -- while alarmed by the speed of the correction, among the fastest since 1950 -- wonder if the selloff is another chance to buy.



“I didn’t have to necessarily talk anyone off the ledge, like ‘Oh my god, should I sell everything?’" Mona Mahajan, U.S. investment strategist for Allianz Global Investors, said Friday. “Some of the younger people who I work with who are not on the investment side, like my assistant for example, and the colleagues that she talks to, they’re like ‘Oh, what should we be doing with our 401k? Should we be worried?’ So that hits home pretty hard.”

Shares jumped in the final hours Friday, bouncing from a much-watched technical level, the 200-day moving average on the S&P 500. Before that, snowballing losses left investors frazzled and the equity benchmark down more than 10 percent from its record high on Jan. 26, wiping out January gains and depositing stocks roughly where they were at Thanksgiving.

“I didn’t have a lot of people saying ‘Oh my god, this is crazy,’ so I’m assuming they felt the same way I did, which was: ‘wow,’" Chris Zaccarelli, chief investment officer of the Independent Advisor Alliance based in Charlotte, North Carolina, said Friday. “I’ll be 100 percent honest, I expected a drop of this magnitude in terms of percent drop, but I expected it to take place over a couple weeks.”

“The suddenness of the drop -- that’s pretty big,” he said.

Everyone agreed -- it’s been jarring, but not without precedent. Peter Jankovskis, the co-chief investment officer at Oakbrook Investments, drew parallels with 1998, a sharp but relatively short break that coincided with souring derivative bets at the hedge fund Long Term Capital Management. Back then, his firm was rolling out new products, mutual funds that ended up doing just fine.

“We did great,” Jankovskis, who’s based in Lisle, Illinois, said Friday. “At that point, the overall market was sound and in good shape. There was one particular investment company that had a problem. It was a great time to buy into the market. This is more like 1998 <https://www.bloomberg.com/news/articles/2018-02-06/quants-bubble-on-the-brink-the-fed-it-s-1998-all-over-again> .”

Not everyone was willing to stick it out. According to EPFR Global data cited in a Bank of America note, U.S. equities saw record redemption of $33 billion during the week through Feb. 7. Stocks entered a correction the next day, loosely defined as a drop from 10 percent from a past high.

Even with last week’s selloff, the market is no worse off than it was three months ago: up 40 percent over two years and almost four times its level at the bottom of the financial crisis. While last week’s sights and sounds shook bulls who before then hadn’t endured a 3 percent drop in the S&P 500 in more than a year, drawing parallels with past disasters struck most as premature.

“Someone said, ‘Hey, this looks like 2008!”’ said Zaccarelli. “And I was like, that’s the most ridiculous thing I’ve ever heard. It’s nothing like 2008.”