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Wall Street plunges amid fear of economic fallout, COVID-19 spikes

By Susan Tompor (excerpt)
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An alarmist red engulfed trading screens on Wall Street, as the Dow Jones Industrial Average plunged Thursday in the biggest drop since March.

The Dow fell 1,861.82 points or 6.9% to close at 25,128.17 points.

The sell-off leaves investors wondering if we're likely to give back many of the gains we've seen since the height of the coronavirus panic in late March. Are we heading back to the days when we dreaded looking at statements for our 401(k)s?

On the one hand, some analysts maintain that the mood of the past few weeks on Wall Street had rapidly swung from thoughts of an all-out economic collapse to an amazing level of euphoria in less than three months.

Now, we're swinging back toward a bit more gloom. Even so, some pullback seemed likely in the cards.

"The stock market has experienced an incredible rebound off the March 23rd low," said David Kudla, CEO of Mainstay Capital Management.

"Two months ago, no one would have believed stocks would have even been anywhere near these levels. To pull back 7% to 10% is nothing relative to the advance of the past 10 weeks, and should be expected anyway," Kudla said.

On Monday, the Dow had closed at 27,572.44 points, which represented a gain of 8,980.51 points or 48% since tumbling to 18,591.93 points on March 23 during the height of COVID-19 panic.

The coronavirus-related market meltdown had shocked investors considering that just weeks before the Dow had closed at a record 29,551.42 points on Feb. 12.

So we had been doing fairly well until much of this week.

Kudla said he does not see a reason to believe that all the gains made will be lost in the weeks ahead.

"As long as the Federal Reserve is providing stimulus, and it still is doing so, stocks have fuel to resume their rally," Kudla said.

We may be looking at a time, though, where we will see more risk ahead for both the economy and the threats of COVID-19 in the United States. ...

... The rapid rise for stock prices seemed to be banking on a V-shaped rebound for the economy — a steady climb as the U.S. economy reopens after the massive shutdown that took place to stem the spread of the coronavirus. ...

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