Opinion

American stock market has stood firm, despite winds of change

By DENNIS GRUBAUGH


Grubaugh

In late 1963, it was a front-page banner headline in a week filled with them.

"Stock market sees biggest gain ever."

Although the joy was tempered, the story that followed was an investor's delight, the biggest jump for the Dow Jones Industrial Average in 34 years. The most shares traded in a single day in months. A 4.3 percent increase.

Four-point-three! Had there every been such a rally? Of course, many times. Long before and after the above historic headline, which was printed Nov. 27, 1963, five days after the assassination of President John F. Kennedy.

I didn't come by this old coverage by accident. A member of my family recently found a yellowed stack of newspapers while cleaning out a basement. He knew I'd appreciate the history.

Often, we see collector issues from the day Kennedy was slain, but rarely, I think, does one get to look at how the news was covered in the days that followed. The reactions from the world, the mourning of the masses. Heady stuff.

The market plunge and rebound were what caught my attention. The Friday afternoon that the president was killed, the Dow Jones sank 3 percent. Two market days later, it recovered that and more.

Of the bullishness, the head of the New York Stock Exchange said: "It represents the judgment of the American people that the emotional selloff of Friday did not reflect a real appraisal of this country's economy and its strength."

Those who study history understand how news impacts markets. Similar setbacks occur every time there is a development that threatens world stability.

Yet, the markets always seem to rally back, slowly but surely, sometimes taking years.

On March 15, 1933, a 15.3 percent daily surge — the largest ever — followed the reopening of U.S. banks after President Franklin D. Roosevelt closed them 10 days to forestall a complete collapse during the Great Depression. Beginning in October 1929 and ending in 1932, the market lost 80 percent of its value. The Dow was worth around 1,800 at the time.

On Oct. 19, 1987, infamously known as Black Monday, investors saw the Dow fall 22.6 percent over concerns about computerized trading and inflation. The numbers skyrocketed 10 percent two days later when investors jumped back in. The Dow was worth around 5,000.

On Oct. 13, 2008, small and not-so-small banks were left holding trillions of dollars in worthless paper when the housing market crumbled under years of lax lending standards. However, the Dow grew more than 11 percent in one day when central banks across the globe agreed to improve liquidity in the financial system. The era was known as the Great Recession. The Dow was valued around 12,700.

Fast forward to 2023. The Dow is hovering around 34,000, after sinking to 28,725 last September amid the perfect storm of COVID, Ukraine and inflation worries.

Historically, there's been a good return for the index that debuted in May 1896 at 40.94 points.

The Dow was created to help gauge the health of the market. Twelve companies were used in the original index. Of those, only General Electric remains in business, and it was dropped from the list in 2019.

Today, 30 companies make up the index, representing the strongest of the strong, including such mammoths as Apple, Boeing, McDonald's and Chevron.

The sustained period of growth has not derailed since the first average was calculated, despite a depression, at least seven major wars, one presidential resignation, two presidential assassinations, multiple presidential impeachments, and more global crises than years in the count.

Even the winds of politics are not enough to blow flames out. Along the way we had 23 presidents — 13 of them Republicans and 10 Democrats. The market seems destined to succeed regardless of who is in charge.

Still, a lot of positive is going to have to occur, perhaps over years, to dispel American wariness about today's economy. After all, we're coming off a terrible 2022 (down 8.8 percent on the Dow, 19.4 percent for the S&P and a hellish 33 percent on the Nasdaq).

And we are off to a good start this year. Through mid-February the Dow average was up 3 percent.

I'm not in the habit of predicting how things will go, but I am comfortable with repeating past performance. During 127 Dow market years, there have been 44 years in which the index was down and 83 years in which the index was up.

That's a pretty good record if you're keeping score. And if you've got any kind of retirement plans, I'm sure you are.

Dennis Grubaugh is the retired editor of the Illinois Business Journal.

For once, let's choose the right path

By ALAN J. ORTBALS


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As the late, great Yogi Berra used to say, "When you come to a fork in the road, take it." Trouble is, St. Louis has often chosen the wrong fork.

In 1963, Walt Disney began planning his second theme park to be called Riverfront Square. Disney was born in Chicago but spent his formative years in tiny Marceline, Mo., of which he had many fond memories--so much so that he wanted to recreate that feel---in Downtown St. Louis.

After meeting with the mayor, he got his team started on plans for the new theme park to be built at Market and Broadway. The entrance to the park was to be his nostalgic vision of Main Street, USA, with historic St. Louis on one side and New Orleans on the other. Other planned attractions included rides based on the travels of Lewis and Clark; on the legendary keel boater Mike Fink, on frontiersman Davy Crockett and another, a ride through a recreation of Meramec Caverns.

Disney spent two years working on the project but ultimately met with opposition. It's said that August Busch, Jr. put the kibosh on the project because Disney refused to sell beer in his new park. There was no more formidable foe in St. Louis at that time and, when Disney went looking for public financial support, it became clear that it would not be forthcoming. Walt pulled the plug on St. Louis and moved instead to Orlando, Fla.

In the early 70's Lambert-St. Louis International Airport was booming and was projected to be handling 31 million flights per year by 2000. That kind of growth was going to require a massive expansion and a plan was devised that would have taken out both the adjacent Ford and McDonnell-Douglas plants.

This, of course, met with vehement opposition and then-Mayor Alphonse Cervantes proposed moving the airport across the river to Waterloo, Illinois, where it could grow unimpeded. The feds liked the idea and authorized the purchase of land. People on the Missouri side of the river were less enamored with the proposal.

Local and state officials unleashed a political and legal onslaught that caused the feds to rescind their approval, killing the idea. Today, Lambert handles a meager 13 million flights per year and is generally an embarrassment. It's one of the reasons why the metro St. Louis economy languishes.

A similar event occurred about 24 years ago regarding a proposed project in the Mill Creek valley.

Back in the early 1800s, August Chouteau had a dam and grist mill on La Petite Riviere which ran between present-day Clark St. and Chouteau Blvd east to the Mississippi River. Locals called the stream Mill Creek and the lake, Chouteau Pond.

At first an idyllic setting that attracted many picnickers, the stream and pond deteriorated with the rapid growth of the city and was drained following the cholera epidemic of 1849.

The Mill Creek area was the subject of one of the first urban renewal projects in America in the 1950s and much of the land became a rail yard that you cross when you drive down Jefferson.

In the late 90s, Richard Baron, co-founder and chairman of the St. Louis-based McCormack Baron Salazar real estate development firm, crafted a plan to relocate the rail yard, restore the lake and surround it with office, retail, and residential development.

In a recent interview published by NextSTL, Baron claimed to have had widespread support for the project among business and civic leaders and the approval of the Union Pacific Railroad, owner of the rail yard. You may have noticed, however, that the rail yard still exists.

According to Baron, the project died the day Mayor Francis Slay walked into a project meeting and declared his opposition because he didn't want it competing with the Gateway Arch refurbishment effort.

Now comes another opportunity. The Fortune 500 company, Emerson, recently decided to keep its headquarters in St. Louis. But, in doing so, president and CEO Lal Karsanbhai, voiced a call to action. The region must, he said, take steps to insure "everyone has equitable access to three vital needs: a good education, a safe community and a decent job."

He's right. Those are the basic building blocks of a successful community. Now is the time to put away the pettiness, the myopia and the self-interest that derailed previous projects and work together to make St. Louis the kind of place that can successfully compete in the global economy. For once, let's choose the right path.

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