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Diary of a Crazy Week in the Markets

'It's going to be tough out there': veteran traders, bankers and investors just tried to survive as Wall Street's great bull run ended

By Liz Hoffman

Updated March 14, 2020 4:56 pm ET

It was the wildest week on Wall Street since the 2008 financial crisis.

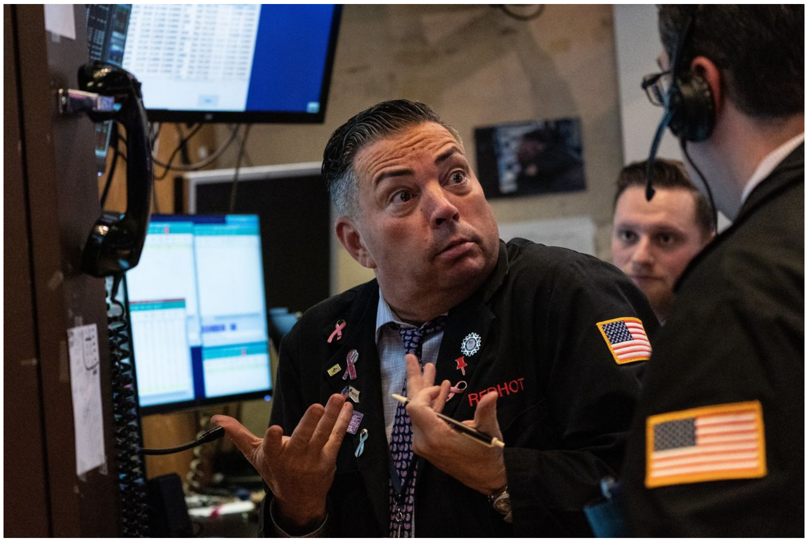
It began on Sunday with a sharp drop in oil prices that pulled down stocks, already battered following a selloff sparked by the worsening coronavirus outbreak. Investors piled into U.S. government bonds, pushing yields to record lows. By Wednesday, the 11-year bull market for U.S. stocks was dead.

Bank executives promised President Trump they would keep lending but nervously watched as companies tapped their credit lines and hoarded cash. Cracks formed in the plumbing that moves money through the financial system. By Friday, central banks around the world were trying to salve the market by flooding it with cheap money, to little effect.

Stocks closed sharply higher Friday, after President Trump, bowing to widespread pressure, declared a national state of emergency and neared a deal with congressional leaders on a coronavirus aid package.

Yet global markets closed one of their most bruising weeks in history. Thursday saw the biggest single-day percentage decline in the S&P 500 since 1987; Friday the biggest single-day gain since 2008. The yield on 10-year Treasurys closed at 0.946%, basically flat for the week but after taking a wild ride.

It was the first major test of Wall Street's mettle since the global financial crisis that reshaped it. While the results won't be known for some time, the extent of the disarray is a sign that the post-crisis infrastructure is more susceptible to sudden shocks than many had assumed.



Traders work on the floor of the New York Stock Exchange on March 12, as the Dow Jones Industrial Average loses 2,352 points.

PHOTO: JEENAH MOON/GETTY IMAGES

The Wall Street Journal spoke to traders, investors, bankers and executives over the course of a week that many compared to the 2008 meltdown or the days after the Sept. 11 terrorist attacks. What follows is an edited diary.

Sunday

The first shot came not from virus hotspots like China or Italy, but Saudi Arabia, which said it would ramp up oil production after failing to strike a deal with Russia, another major producer. Energy prices plummeted.

Derrick Chan, head of equity trading in Fidelity Investments' capital-markets division, watched the slide in suburban Boston on the sidelines of his son's soccer game, but figured any damage would be contained. When Dow futures opened more than 1,000 points lower at 6 p.m., portending a sharp selloff to come in the morning, he thought, It's real.

His team spent Sunday night preparing for the possibility that stock trading would be halted if prices plunged too quickly.

Four thousand miles away, Ben Laurence was snowboarding in Val d'Isère, in the French Alps, when his WhatsApp inbox started filling up with messages from the office: Get home. The night shift at his Geneva trading firm, Swissquote, was getting slammed with orders from clients who weren't waiting until Monday but instead wanted to trade as soon as the markets opened in Asia. He estimated Swissquote processed eight times the normal number of trades that night.

And in Miami, Carl Icahn was just off the tennis court. As oil prices fell, he thought about Occidental Petroleum Corp., the energy company he has been publicly sparring with for months. Shares closed the prior Friday at $26.86. The billionaire investor phoned his lieutenant in New York with a buy order.

“10 to 20 million shares. And do it at $20 or better.”

Monday

Mr. Laurence was back in his seat at 7:45 a.m., his trading screens a sea of red as investors rushed to sell Norwegian kroner, Canadian dollars and other currencies tied to oil. The 30-year-old was in college in 2008, the last time markets went this haywire. “I’ve never seen anything like it,” he said.

In New York, Ashok Varadhan woke up with a cough. The co-head of Goldman Sachs Group Inc.’s trading arm checked in with the bank’s CEO, David Solomon, who told him to stay home. He set up open conference-call lines to his trading floor downtown, one of the world’s busiest, to hear the action.

Mr. Varadhan made his name as a superstar swaps trader in the 1990s. He traded through the blowout of Long Term Capital Management, the telecom bust, the global financial crisis and 9/11, which killed his brother.

“It’s going to be tough out there,” he told his team, scattered across backup sites in Connecticut and New Jersey, and urged them to keep picking up the phone. “Clients will remember who showed up.”

Stacey Cunningham was waiting for what she knew was coming. The president of the New York Stock Exchange stood on the executive command center on the floor, watching as U.S. stock futures dropped quickly toward a 7% decline that would automatically freeze trading.

The last time that happened, in 1997, Ms. Cunningham was a junior trader at one of the old-school brokers known as floor specialists. She didn’t yet have her license.

It happened just after the 9:30 a.m. opening bell. Stocks fell so quickly that it triggered a mandatory 15-minute halt.

Volumes were light when the market reopened, but it wouldn’t last. By the end of the day, Mr. Chan’s team would set a Fidelity record, moving more than a billion shares on behalf of their clients.

Into that turmoil came the biggest merger of the year. Undeterred by his adviser’s warnings that it would be a bloody day for stocks, Aon PLC’s chief executive, Greg Case, proceeded with an announcement that his insurance broker would buy rival Willis Towers Watson for $30 billion.

"We really didn't entertain" the idea of delaying, Mr. Case said. Aon shares, Mr. Case's currency to buy Willis, fell 17%, twice as far as the S&P 500 index. He said he is confident the stock will rebound.

Tuesday

Keep buying, Mr. Icahn told his traders. He had bought $380 million in shares of Occidental already this week, paying around $17 apiece. At noon, the company announced a steep cut to its dividend. By the end of the day, Mr. Icahn had purchased another $400 million for less than $14 each

He was hunting in one of the most troubled sectors of the U.S. economy.

Dozens of U.S. shale drillers were already deep in debt and facing tough times ahead before oil prices plunged. Investors dumped energy-company bonds, sending them deep into distressed territory. They couldn't borrow their way out of trouble anymore.

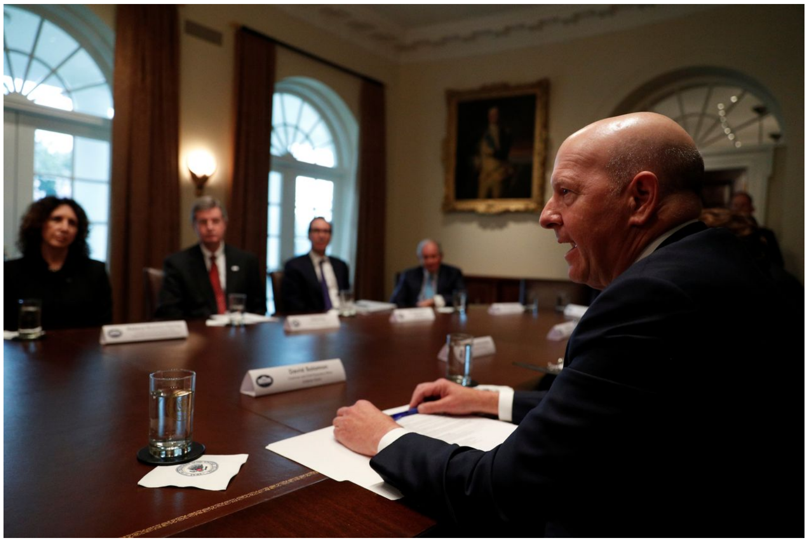
But even picky banks have to lend, and there was still money available for creditworthy borrowers. Michael Shvo, an investor in trophy office towers, had four offers in hand by the afternoon for a $600 million loan he is raising to buy a new property.

He was on a hot streak, having closed two deals in the previous week's choppy market, including a $545 million loan to buy the famed Coca-Cola building on Fifth Avenue. He said it charges less than 3% annually for 10 years. "With banks, it's a flight to quality," he said. "Like gold."

Wednesday

Mr. Solomon, Goldman's CEO, started his day bumping elbows—no handshakes—with 40 members of Congress, addressing the Problem Solvers caucus, a bipartisan group that has been lobbying the White House for more funding to fight coronavirus.

Mr. Solomon told the group big U.S. banks are fine and, underneath the panic, so is the economy. "He didn't sugar-coat it," said Rep. Josh Gottheimer (D., N.J.). "But the big picture was comforting." Mr. Solomon would deliver a similar message later at the White House, where President Trump had summoned CEOs of several big banks.



David Solomon, Chief Executive of Goldman Sachs, meets at the White House with President Trump and others about the coronavirus response.

PHOTO: TOM BRENNER/REUTERS

Back at Goldman's New York headquarters, executives in its $1.8 trillion money-management arm urged clients to belly up. On a conference call, they told investors, many of whom had been selling securities for the safety of cash, to take a closer look at mortgage bonds.

Prices on mortgage-backed securities, generally deemed to be as safe as government bonds, had fallen, opening up a gulf with the 10-year Treasury. Investors no longer saw the two as essentially interchangeable.

"This is your chance," said Ashish Shah, a top asset-management executive at Goldman. "When the market turns, you're not going to be fast enough. You'll miss it on the way up."

But even for investors in a buying mood, the market was showing some worrying signs. Skittish brokers were backing away from certain trades, and bids and offers vanished like smoke when investors tried to execute.

William Dinning, the chief investment officer of London fund manager Waverton Asset Management, tried to buy long-dated U.S. Treasurys. The price quoted on his screen from a global bank looked attractive. When he tried to take the bank up on it, the price changed.

Chalk it up to banks getting skittish. Word broke Boeing Co. was laying plans to draw down its entire $13.8 billion line of credit. The market took it as a sign of desperation, an expensive move usually only done if there are no other options. The stock plunged.

The New York Stock Exchange on Wall Street in downtown New York City on Wednesday, March 11.

PHOTO: MICHAEL BUCHER/THE WALL STREET JOURNAL

Companies started flooding banks with requests to draw down their own lines to build up cash reserves. Some nibbled, seeking in the tens of millions of dollars, testing the mettle of their bankers to release the funds.

A lot of those calls were directed to John Chirico, a top banking executive at Citigroup Inc., which has nearly $200 billion in corporate loans out to North American companies. Mr. Chirico urged them to consider other options for short-term cash. “We are seeing volatility but not distress,” he told them.

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What was the craziest moment of your week? Join the conversation below.

Inside Citi, there was other grumbling. The bank had split up its trading staff in response to the coronavirus outbreak, sending some to a backup office in Rutherford, N.J., that shares a parking lot with an Extended Stay America and little else. Traders didn’t know where to eat.

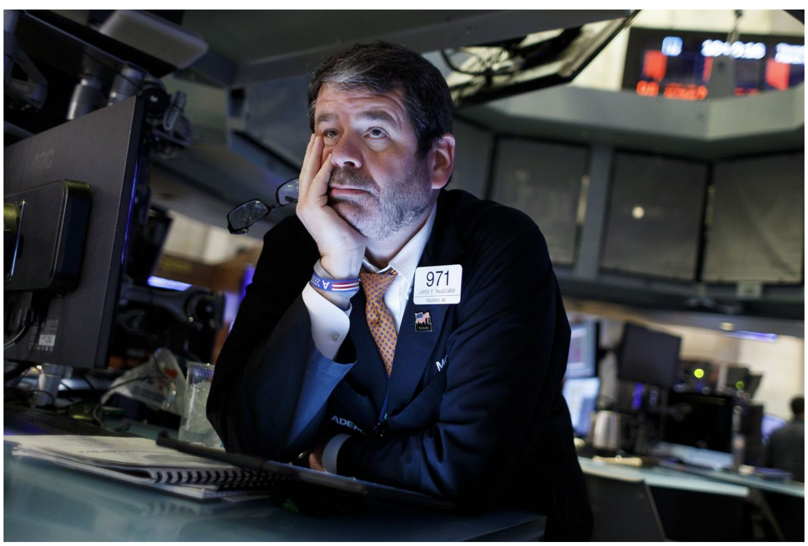
It was a hectic week for all of the big U.S. banks. Morgan Stanley CEO James Gorman called the bank’s two employees who have tested positive for COVID-19, the disease caused by the virus. Bank of America Corp. said it would pay for Ubers for workers who weren’t working from home but were concerned about taking the subway to the office.

JPMorgan Chase & Co. has faced the tumult without its longtime frontman. CEO James Dimon, the steadiest voice in U.S. banking for the past 15 years, was hospitalized last week for emergency heart surgery and released Thursday. When the president gathered top bankers in a room, the representative of the nation's biggest bank had to introduce himself.

Thursday

By the time Billy Hult got out of the shower at around 6:15 a.m. in New York, his phone was flashing warning signs. The president of Tradeweb Markets Inc., one of the largest online trading platforms, had missed a call from the head of interest rates trading at a big European bank. The executive had texted twice: "Call me."

Still dripping, Mr. Hult returned the call. A quick safety check—how's the family? Fine, yours?—turned into a rapid-fire market diagnosis. How's liquidity in aged Treasury bonds? Not great. Government-backed mortgage bonds? Holding up well. What are people buying? European swaps. What are they selling? Everything.



Trader James MacGilvray on the NYSE floor on March 12.

PHOTO: JUSTIN LANE/EPA/SHUTTERSTOCK

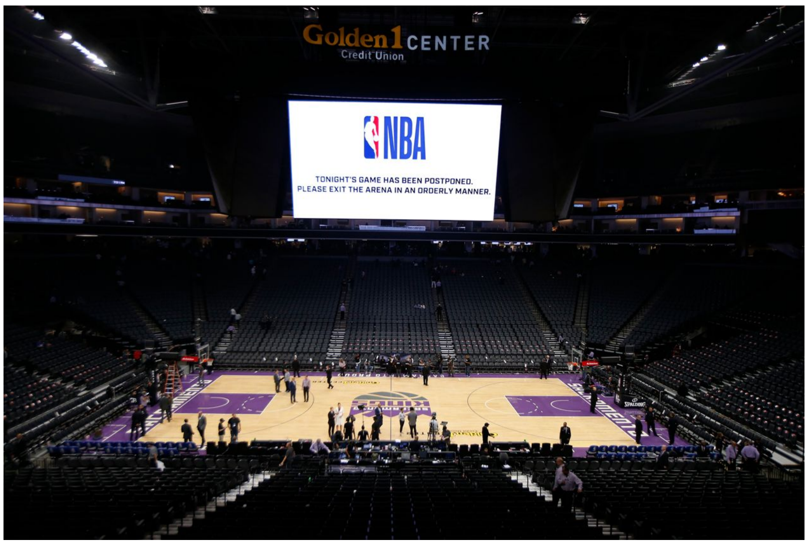
Downtown, in a conference call frequently interrupted by beeps and bursts of static, Ms. Cunningham briefed other exchanges and the Securities and Exchange Commission on delayed efforts to open NYSE-listed stocks. Many stocks on the Big Board opened 30 or more minutes later than usual on both Monday and Thursday, due to plunging share prices and a market-wide circuit breaker that stopped trading for 15 minutes.

Back at Swissquote's headquarters in Geneva, Mr. Laurence reassured clients that the halt wasn't a problem specific to his firm but an automatic circuit-breaker tripped by the exchanges.

“For a lot of them, it’s the first time they’ve seen it,” Mr. Laurence said, before correcting himself—“for a lot of us.”

Thursday was the day America started to shut down. There were widespread school closures. Broadway and the Metropolitan Opera went dark, as did Disneyland and the National Basketball Association.

Central bankers rushed to calm the markets. The U.S. Treasury said it would pump $1.5 trillion into short-term funding markets, which keep the lights on overnight at banks and companies. The Bank of England, which on Wednesday had cut its benchmark rate, announced an economic stimulus. “This is a big, big package,” said the bank’s departing governor, Mark Carney.



An NBA basketball game between the New Orleans Pelicans and Sacramento Kings gets postponed at the last minute over coronavirus fears on March 11.

PHOTO: RICH PEDRONCELLI/ASSOCIATED PRESS

Inside the London central bank’s meters-thick walls, though, tensions ran high. One manager raided a colleague’s stash of high-end Earl Grey tea, which was dwindling as a long week got longer. The matter almost came to blows.

Mr. Dinning, the London investor, wanted to start buying stocks. He emailed his risk committee with a plan to “follow the virus:” Start buying in Asia and move west over time, to capitalize on the recovery that has already started in China, which was hit earliest and hardest by the coronavirus.

Mr. Icahn had stopped buying Occidental shares, which bucked the trend and gained in value. A conversation with a reporter was briefly interrupted by a call from a trader. When he returned, he said he had placed a nine-figure wager against the bond market, part of what he said are billions of dollars of short positions he currently holds. “I lost money this week but probably not as much as other people because of the hedges.”

Late afternoon, Mr. Laurence realized he had forgotten to eat lunch. He swung by a colleague's desk—they were moved six feet apart a few days ago for safety—to mooch some peanuts, then thought better of it.

At Citi's Rutherford exile, food trucks finally showed up in the parking lot.

Thursday ended as the single worst day for U.S. stocks since 1987. Ms. Cunningham breathed a sigh of relief at NYSE headquarters; new software the exchange rolled out last summer held up under a flood of orders.

Friday

The stock market opened sharply higher. The Fed said it would buy an additional $33 billion of bonds to address poorly functioning markets.

It was a welcome move for a large quantitative trading firm in midtown New York, where the freezing up of the Treasury market had rattled traders all week. The firm has positions across the credit markets and has been trying to test some of the assumptions it used in its algorithms for years.

When asked by a Journal reporter how he was holding up, a trader at the firm texted back: "I'm puking under my desk. Could be corona or could be what's happening in debt? Either way. This is bad."

Ms. Cunningham decided to keep the NYSE trading floor open. "NYSE is a symbol of American strength and resiliency," she said. "The people on the floor want to be there."

Mr. Laurence dragged himself out of his office after an 11-hour day. Wiped, he headed to Nyon, a small town outside the city with Middle Age charm. Overlooking Lake Geneva and sipping a pint of Fuller's London Pride, the British expat was grateful for the respite. He has Saturday off.

Mr. Varadhan, the Goldman trading executive, is keeping an open conference call line to his trading floor in New York and his global co-heads in London. He takes a few breaks for stress-relief jumping jacks. (He's feeling fine and says he just caught a minor cold.)

His message to the troops: This too shall pass.

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Corrections & Amplifications
Michael Shvo closed on a $545 million loan to buy the Coca-Cola building on Fifth Avenue. An earlier version of this story incorrectly said it was a $400 million loan. (March 14, 2020)