

JFK Shot: How Wall Street Reacted 50 Years Ago

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By Todd Cohen

Markets panicked, then closed. A shocked nation mourned. And the reins of power transferred quickly. The world's oldest democracy had endured—again.

“Let every nation know, whether it wishes us well or ill, that we shall pay any price, bear any burden, meet any hardship, support any friend, oppose any foe to assure the survival and the success of liberty.” —**JFK inaugural address, 1961**

It was 1:39 p.m., Friday, Nov. 22, 1963.

Walter Deemer, then a 22-year-old research trainee at Merrill Lynch at 70 Pine St., was taking a break from his job on the wire inquiry desk, where he fielded research-related questions from the firm's branches.

He was leaning on the Merrill Lynch newswire, a “clunky floor-model Teletype machine,” and watching the tape, when the machine “haltingly printed out, letter by letter, the word ‘F-L-A-S-H’” and its bell rang four times.

Deemer writes about the episode in his book *Deemer on Technical Analysis*. He and his co-workers figured the news might be that a firm involved in a salad-oil scandal unfolding at the time had gone bankrupt.

But they, like thousands of others working on Wall Street and millions throughout the world who heard the news, were stunned by the announcement that was slowly transmitted, one character at a time: “UPI REPORTS KENNEDY SERIOUSLY WOUNDED. PERHAPS FATALLY BY ASSASSIN WHO SHOT AT HIS MOTORCADE IN DALLAS.”

“It was just shock,” says Deemer, now 72 and president of DTR Inc., a market strategy service in Port Saint Lucie, Fla., for institutional investors. “It was a devastating event.”

Sudden impact

The Dow, which had closed at 732.65 the previous day and hit a high of 739.00 earlier that Friday, quickly plunged to a low of 710.84 before trading was halted at 2:07 p.m., when it was at 711.49, says Richard Sylla, Henry Kaufman Professor of the History of Financial Institutions and Markets at the Stern School of Business at New York University.

“There’s a lot of uncertainty every day about what’s going on the world,” says Sylla, who in 1963 was a 23-year-old, first-year graduate student in economics at Harvard. “When something unexpected happens, that multiplies that uncertainty by an order of magnitude.”

For investors, the natural reaction to unexpected events is “to want to get liquid, move from a more risky to a less risky position, which you do in the stock market by selling stocks,” says Sylla, now 73. He was sitting in an econometrics class when he heard Kennedy had been shot; Sylla realized the president must have died when, as he left his class at 2 p.m., the bell of Memorial Church in Harvard Yard began to toll very slowly.

Fear and uncertainty

Robert Stovall, who was 37 that day and on duty as a securities analyst and director of research for E.F. Hutton at 1 Chase Manhattan Plaza, says he “just sort of froze” when he heard the news about Kennedy.

“I sat around slack-jawed for a while,” then phoned home to “reassure my family that everything was OK with me, and then went home as soon as I could,” he says.

“We didn’t know what was going to happen next,” says Stovall, now 87 and a senior strategist for Titanium Asset Management living in New York City and Sarasota, Fla.

“We thought the Kennedy assassination might be followed up by an even more serious incident,” he says. “We thought there might be a follow-up attack.”

Panic on the floor

Newton Zinder, who at the time was a 38-year-old technical analyst reporting to Stovall, remembers the afternoon began normally.

“Nothing special was going on,” says Zinder, who retired in 1992 as a technical analyst at Shearson Lehman and now lives in Madison, Wisc.

But unconfirmed rumors began flying, spreading panic on the floor of the New York Stock Exchange that led to massive selling.

In that era, he says, “all the transactions occurred on the floor of the exchange, not like today, with computers dealing with each other and very little trading on the floor.”

The floor of the exchange, Zinder says, was where buyers and sellers met and settled on the price of a stock. Each stock had a “specialist” who was “obligated to try to keep the market orderly, even to use his own funds to stem the selling,” he says.

But amidst the rumors that JFK and possibly even Vice President Lyndon B. Johnson had been shot, he says, “the selling became so massive that many of the specialists, after absorbing some of the stock that came in, and then realizing they didn’t have the funds or desire to absorb any more, literally disappeared.”

As a result, he says, trading in many individual stocks stopped five or 10 minutes before the exchange itself closed.

The day after

At Merrill Lynch, Deemer volunteered to work on the skeleton crew of four or five people that the company put in place on Saturday.

“I lived only two subway stops from the office,” he says. “I came in and we were ready to handle inquiries.”

But the office received only one wire inquiry that day, he says, and it was about the restructuring of Ling-Temco-Vought, an early conglomerate that was in the process of spinning off three subsidiaries.

With no work to do, he and his co-workers pored through the *New York Herald Tribune* and *The New York Times*, as well as two of the city’s afternoon papers, the *New York Journal-American* and the *New York World-Telegram and Sun*, “just trying to comprehend what was going on,” Deemer says.

“The news tickers were not running,” he remembers. “It was eerily silent.”

Tuesday anxiety

The markets were closed on Saturday and Sunday, and again on Monday for Kennedy’s funeral.

When Deemer returned to his post on Tuesday morning, November 26, “the official mood at Merrill Lynch was one of great apprehension,” he says. “We had no idea whether there would be a wave of buy orders or a wave of sell orders.”

Because “odd lots,” or transactions of fewer than 100 shares, then represented 10 percent of the market, making sense of any trends that day in the face of “thousands and thousands and thousands” of those small trades was tough, he says.

“I just acted normally and did my job,” Deemer says. “And it turned out to be a surprisingly normal day.”

The inquiries he received were like those he handled on typical work days: questions on the last time a company had issued or raised a dividend, or the number of its shares that were outstanding.

“It was normal reference stuff,” he says. “In those days you didn’t have the Internet to look things up on. So you asked the research department.”

Quick rebound

Zinder says the early shutdown in trading on Friday left investors and specialists who had wanted to sell stock “with a great deal of anxiety” over the weekend, worrying that they would be stuck with their stock when the markets reopened on Tuesday.

“When the market shot up after it opened, they did better than anybody,” he says.

That day, the Dow hit a high of 746. By December 31, the last trading day of the year, the Dow closed at 762.95, up 7.23 percent from its close on November 22.

“That’s a pretty good rally,” Sylla notes.

Market resilience

The market recovered quickly because, while the Kennedy assassination was traumatic, the military aftershock many people had feared did not take place, the transition to the Johnson presidency was orderly, and the underlying economy was strong, Sylla says.

“The market said, ‘This is OK,’” he says.

It also reopened more quickly than after other shattering events.

The Markets in Crisis Through History

| Event | Background |
|---|---|
| Panic of 1873 | Silver crash triggers widespread bank runs in May. New York market closes for ten days. Depression ensues. |
| Start of WWI July 28, 1914 | The New York Stock Exchange closes for four months. |
| Pearl Harbor Attack Dec. 7, 1941 | The market drops 4% on Dec. 8. Over the next 17 trading days, the market hits bottom, falling 10.8%. Recovery takes 257 trading days. |
| JFK Assassination Nov. 22, 1963 | The news triggers a wave of selling, pushing stocks down almost 3%, forcing an early trading close. Markets stay shut for two more trading days. Dow soars up 4.5% when market reopens Nov. |
| 9-11 Attacks September 11, 2001 | The World Trade Center attacks close the market for nearly a week. Dow drops 14% the week after reopening. But then takes 19 trading days to recover to pre-9/11 levels. |

Source: *Horseshmouth*

“All these things are shocks,” he says. “The global markets go into turmoil when these things happen because investors wonder what to do next. But it’s over with very quickly.”

Staying the course

When he returned to work on Tuesday, Stovall says, he and his co-workers at E.F. Hutton “reminded investors that while negative events historically trigger short-term sell-offs, the resiliency of America’s fundamental and governmental strengths prevailed.”

Investors were “wondering if there were going to be follow-ups to the assassination, some sort of invasion or move to military action,” he says. “I just said, ‘Stay the course.’”

At Merrill Lynch, Deemer and his co-workers were sending a similar message.

“Even during emotional times, it’s best to keep a cool head,” he says. “You had a very emotional time, and investment decisions are best made logically and thoughtfully, rather than emotionally. Emotions are one of the greatest enemies of investors.”

Todd Cohen is a freelance writer living in Raleigh, North Carolina.

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