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Black Days in the Market

On three days of panicked selling in late October 1929, the price of stocks traded on the New York Stock Exchange crashed, opening on October 24—"Black Thursday"—at 306, continuing down on October 25—"Black Monday"—and closing on October 29—"Black Tuesday"—at 230. Answer the following questions about the crash.

1. The Dow Jones Industrial Average (DJIA) was first published on July 3, 1884, as an averaged composite of the share prices of public stocks traded on the New York Stock Exchange. Over the years, as their fortunes have waxed and waned, almost all of the companies whose stocks have been the components of the DJIA have been replaced by others. One company, however, was on the original list and is still on the current one. What company is it?

- ☐ U.S. Steel
- ☐ General Motors
- ☐ General Electric
- ☐ American Tobacco

2. Before the crash began on October 24, 1929, the Dow had already fallen steadily through September and October, losing 17% of its value from its high of 381, which it had reached on September 3, 1929. After the crash, it generally continued to sink and did not bottom out until July 8, 1932, when it closed at 41, an 89% drop from its level on September 3, 1929. The Dow did not reach 381 again until:

- ☐ October 23, 1941
- ☐ September 3, 1945
- ☐ April 3, 1948
- ☐ November 23, 1954

3. The largest daily point loss (as a percentage of change from the previous day's close) in the history of the New York Stock Exchange, when the market dropped more than 22%, occurred on:

- ☐ October 19, 1987
- ☐ October 24, 1929
- ☐ October 28, 1929
- ☐ October 29, 1929

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4. Buying stocks "on margin" is:

- ☐ Buying stocks only from a selected list that have a recent history of increasing in value, providing a safety margin for conservative investors
- ☐ Arranging to automatically buy and sell stocks when their market price falls within or without a range or margin of difference between the price and the true value of the stock, as determined by a variety of methods that assess companies' general financial health
- ☐ Buying stocks by pooling orders with those of other investors, increasing each individual buyer's margin of safety
- ☐ Buying stocks by borrowing from a stockbroker a significant portion of the money that is required to purchase them, minus the "margin" you have to provide

Sources:

Bierman, Jr., Harold. "The 1929 Stock Market Crash." *EH.net*, http://eh.net/ (accessed October 4, 2010).