October 1987

WHERE I WAS WHEN...

BLACK MONDAY

ROB VANDERHOOFT

CEO and chief investment officer, Greystone Managed Investments

ROB VANDERHOOFT WAS JUST six months into his first job out of university as a U.S. equities investment analyst at Great-West Life (GWL) when stock markets around the world crashed on Oct. 19, 1987. The day, which has since been referred to as Black Monday, saw the Dow Jones Industrial Average drop 508 points and lose 22.6% of its value. The losses continued through October, as most of the world's major exchanges ended the month down at least 20%. "It would have had a bigger impact [on me] if I'd had more experience in the business at that point in time," he recalls.

Between then and now, Vanderhooft says, there is a sharp difference in terms of how analysts receive information. Back then, GWL used a Quotron machine (an electronic terminal that provided a near-live feed) to get stock quotes. "It was centrally located, so we'd have to walk over, punch up quotes and take a look at what the market was doing."

That particular Monday, Vanderhooft remembers a lot more activity than usual around the Quotron. "[There were] a lot of people standing around, watching the market for a considerable period of the day, and people you didn't normally see in that area—more executives."

Extra! Extra! U.S. headlines of the stock market crash of Oct. 19, 1987

PHOTO: CP IMAGES, OCT. 20, 1987 / AP FILE PHOTO

But while industry experts at GWL and elsewhere were closely monitoring the situation, many of their clients remained blissfully unaware. "It took a little time to absorb, and the majority of them certainly wouldn't have realized it until they read the papers or watched the news that evening," Vanderhooft says. "Speed of information flow was radically different, and access to quality information was really absent at that point in time. There was no Business News Network."

While experts and clients absorbed the crash, they also learned two valuable lessons that day, he notes. First is the difficulty of timing the market. "It would have been very difficult to be out of the market in anticipation of [Oct. 19] because valuation levels had been stretched for quite a long period of time," he explains.

Second is the challenge of the instruments that investors were using at the time—program trading (computerized trading used for large-volume trades) and portfolio insurance (hedging stocks against market risk by short selling index futures). "A lot of financial instruments that seem to work in theory don't necessarily work in practice," Vanderhooft notes. "A lot of the blame in the crash went to portfolio insurance trading—which, theoretically, would have worked—but in the absence of liquidity, it caused a real downdraft in the market and further selling. That, to a large degree, perpetuated the crash."

For his part, Vanderhooft definitely gained more experience in the business that Monday—and on Mondays ever since. BC

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DARK *History*

More than just Monday market crashes carry the "Black" tag...

1209: In Dublin, warriors of the Gaelic O'Byrne clan massacred 300 settlers from Bristol, England, who had left the safety of the city for a forest to celebrate Easter Monday.

APRIL 14, 1360: During the Hundred Years' War, King Edward III's army encountered a hailstorm, which killed an estimated 1,000 soldiers in Chartes, France.

FEB. 8, 1886: A major protest over unemployment led to a riot in Pall Mall, London.

NOV. 27, 1978: Former San Francisco supervisor Dan White assassinated Mayor George Moscone and openly gay supervisor Harvey Milk.

OCT. 8, 1990: Riots at the Al-Aqsa Mosque in Jerusalem broke out after the Temple Mount Faithful (members of an Orthodox Jewish movement) decided to lay a cornerstone at the site.