Stock market crash of 1929

Markets in most of US and Europe were gaining constantly since 1920. Year after year share markets recorded huge gains. More gains in the market attracted more money into the market. Many stocks doubled and tripled in the valuation between 1927 and 1929. Rising wealth attracted more investors into the market. Greed took over the rationale of people. People started borrowing money and investing in the share market with a hope of becoming rich overnight. There was exuberance and optimism everywhere. Every one liked to believe that the market could go no-where but up.

By the end of 1928 the economy started slowing down. The demand growth was flattening out. Profits were not doubling anymore. Demand for loans exceeded the availability of deposit. Fresh cash flow from mutual funds and banks starting drying down. Warning signals were there for everyone to see. Big investors were the first one to smell the rat. They reasoned that the stocks were overpriced. So they started selling the stock. The market turned bearish. But the small time investor who was trading on borrowed margin was not willing to give up. They clung to their overpriced stocks with undying optimism. Slowly realization of huge losses set in. Small investors reckoned that their net worth was coming down day after day. As more and more investors decided to cut losses and exit the market the bearish trend turned more pronounced. Now the broke and bankrupt replaced the run-by-night millionaires in news headlines. People found that their entire wealth, which they had painstakingly amassed over years, disappeared overnight.

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Then came the unbelievable. It happened on Thursday, 24th Oct 1929, often referred to as Black Thursday in stock market circles. Huge sell orders by investors in the morning brought the market tumbling down. As the news spread, more and more investors wanted to exit at whatever price they could get. There was a mad rush to sell the stocks even without looking at the price. Chicago and Buffalo stock exchange closed down. Mob outside the stock exchange turned furious. Police was bought in to control the fury of the mob. So began the stock market crash of 1929.

Desperate attempts to shore up spirits were on. A meeting of bankers at J.P.Morgan and Chase issued a statement that the market crash was only due to distress selling. Fundamentals of economy were said to be intact. So the share prices would witness a reversal shortly. To add credence to their opinion, Richard Whitney of J.P. Morgan and Chase walked into the bin of New York Stock Exchange and placed a huge order for U.S Steel. This helped to shore up the confidences. Selling mania was halted for the day. Stock prices began to recover. A relief rally was in offing. Everyone thought the stock market crash of 1929 was a thing of past.

As the relief rally abated, more and more investors began to press sell button. The market crashed once again. On Monday the 28th of October, market began to crash once again. This time there was no dramatic declaration that the stock market crash of 1929 was over. Richard Whitney of J.P. Morgan, who was the white angel of black Thursday would only clarify that bankers are not selling. No buy orders were placed unlike on black Thursday. This reinforced pessimism. People started to sell in panic. By evening, the stock market recorded the second greatest loss in the century. There was a rude realization that the stock market crash of 1929 was there to say.

Marginal investors began to run for cover. Market headed downwards. There were no buyers in any scripts. On Tuesday the 29th of Oct.1929 the marked headed for even lower levels. Speculators realized that no one could save the market. Many suicide cases of high profile speculators hit the headlines. Every one realized that the party was over and Stock market crash of 1929 was a reality. Exuberance gave way to an all-enveloping gloom. Small investors disappeared from the market.

The stock market crash of 1929 went down into history as one of the greatest crashes of all times. Stock exchanges around the world had to wait 12 years to witness another bull run.