



Points and percentages

December was a wild ride for the stock market. CNBC, the financial infotainment network, was in heaven. So many BREAKING NEWS opportunities!

Of the 21 trading days in December, the Dow Jones Industrial Average gained or lost more than 250 points on 12 of these days. Five days saw moves over 500 points. We also had the worst Christmas Eve trading day ever (down 653 points) quickly followed by the largest single day point gain in the 122-year history of the Dow (up 1,086 points on 12/26/18).

When Main Street talks about the stock market, they often quote point movements of the Dow Jones Industrial Average. But points are just points. They provide you with the direction of the market, but without a frame of reference, they don't tell you much. A 500-point increase for a Dow trading at 5,000 is a much bigger move than a 500-point increase for a Dow at 25,000. If only there were a way to do an apples-to-apples comparison of these point moves...

Enter the percentage. The [history](#) and use of percentages can be traced back to Ancient Rome, with the word "percent" derived from the Latin *per centum*, meaning "by the hundred".

With all those big point moves in December's trading, there were only six trading days where the Dow was up or down more than 2%. While the day after Christmas might have seen the largest single day point gain, at 4.98% the move didn't crack the Top 20 for largest percentage gains.

Here are some of the notable big percentage moves in our lifetimes (most of us, anyway):

- October 19, 1987 down 22.61% (1st all-time)
- October 21, 1987 up 10.15% (7th all-time)
- October 9, 2008 down 7.33% (13th all-time)
- October 13, 2008 up 11.08% (5th place all-time)
- October 15, 2008 down 7.87% (9th all-time) -
- October 28, 2008 up 10.88% (6th place all-time)
- December 1, 2008 down 7.7% (12th all-time)
- March 23, 2009 up 6.84% (20th all-time)

The vast majority of these large percentage moves happen when bulls and bears fight for control of market direction...Black Monday in 1987, the Financial Crisis in 2008-09. Despite the bumpy ride for stocks in December, we are not in unprecedented territory if you measure volatility in percentages. Yes, the point moves are larger than they were 10 or 15 years ago, but the Dow itself is much higher, too. Percentages give you the perspective that points can't.

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