Wall Street Wreck, Coronavirus and Oil Prices Hit Hard
Worries over the fast-moving outbreak and a price war in the oil market sent fashion investors running.

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on March 10, 2020

Wall Street has gone from bad to worse — and everyone's along for the ride.

Panic over the quickly spreading coronavirus met a new hurdle over plummeting oil prices on Monday, jolting investors severely. The market was already contending with the fact that 16 million people are under lockdown in Italy, more cases of the coronavirus are popping up in the U.S. and the growing realization that nobody knows what comes next.

The Dow Jones Industrial Average was in free fall, dropping 2,013.76 points, or 7.8 percent, to 23,851.02 — leaving the markets down 19.3 percent from the all-time high, set Feb. 12.

Markets in Europe were hit even harder, with Milan's FTSE MIB dropping 11.2 percent to 18,475.91, and Paris' CAC 40 down 8.4 percent to 4,707.91. The equity markets were following the price of crude oil, which fell nearly 24 percent to $34.53 a barrel as Saudi Arabia and Russia pushed prices down, jockeying for position in the market and contemplating a slower global economy that would need less fuel.

The result for fashion was lots of stock price pain, but there was a misery-loves-company-element as nearly every firm fell — and fell hard.

Among those caught in the whirlwind were Tapestry Inc., down 15 percent to $18.43, even before it revealed that chairman and chief executive officer Jide Zeitlin will remain in the post for three years and Coach ceo Josh Schulman is exiting; Revolve Group, 11.9 percent to $12.32; Capri Holdings, 11.7 percent to $20.25; PVH Corp., 11.1 percent to $61.50; VF Corp., 10.8 percent to $62.55; Ralph Lauren Corp., 10.2 percent to $94.99; Lululemon Athletica Inc., 8.6 percent to $199.77; Ulta Beauty Inc., 8.1 percent to 235.70; Nordstrom Inc., 7.4 percent to $26.89; Estée Lauder Cos. Inc., 7.3 percent to $178.02; LVMH Moët Hennessy Louis Vuitton, 6.2 percent to 338 euros; Burberry Group, 5.5 percent to 15.11 pounds, and Kering, 5.5 percent to 457.05 euros.

COVID-19 causes only mild symptoms in most cases, but it is potentially deadly to the elderly and those with compromised immune systems. There have been 113,584 cases confirmed globally and while 62,496 of those people have recovered, 3,996 have died, according to a tally by Johns Hopkins University.

U.S. President Trump took to Twitter to complain of "Fake news," remind his followers that lower gas prices are good for consumers and point out that 37,000 Americans died from the flu last year.

Still, the economic impact of COVID-19 is real and already hitting hard.

Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University, compared the virus to a "nasty hurricane that is sitting offshore, you know it's going to hit you, you just don't know when and how bad.

"That's one unknown and it's a pretty bad one," he said, noting the "advancing winds" have already damaged the financial markets.

And that damage — hitting 401(k) retirement plans and stock portfolios hard — will eventually put a brake on spending as people start feeling more nervous or that they have less to spare for discretionary purchases.

The strains and threat of COVID-19 also reveal other weaknesses.

"There's always risk and the virus has exposed those things. Anything that could go bad is going bad and there's always a panicky reaction," said Dhawan, noting that investors can be "like five-year-olds who throw a tantrum."

Monday certainly qualified as a panic in financial markets, where stocks fell so quickly at the open that they immediately triggered a "circuit breaker" that froze trading for 15 minutes.

The market's volatility will reverberate through companies' finances this year, but it's hard to predict if it would extend long enough to tip the economy into a recession, said Jeannette Bajalia, president of Petros Estate & Retirement Planning and founder of Woman's Worth, the latter which focuses on estate and income planning for women.

"Because we've become a global economy, I would say, we need to see what the impact to global businesses is [and] they're going to need to rethink their corporate earnings," Bajalia said.

"Consumers are going to pull back their spending, and that does affect the economy," she said.

"Will it drive us into a recession? Well, nobody knows that. There are some places in the stock markets that perform well when interest rates go down — with every market volatility there is opportunity in different ways."

Retailers, though, are turning to damage control. Already, supply chains have been disrupted, when COVID-19 hit in the manufacturing powerhouse of China in January and February. Now stores are working to reassure consumers.

Nordstrom — headquartered in one of the centers of the U.S. outbreak, Seattle — told consumers that it's taking appropriate measures to guard shoppers against the coronavirus and is assuring customers that the company's stores are safe.

In an e-mail to customers on Friday, chief executive officer Erik Nordstrom and chief brand officer Pete Nordstrom, wrote: "Our stores are cleaned and sanitized daily as part of our normal course of business. Over the past few weeks, we've increased the frequency and extent of those cleanings, in addition to adding resources like hand sanitizer throughout the store for both customers and employees. We're also ensuring our employees have the information they need to stay healthy or stay home if they aren't feeling well. All of these practices and our business decisions are informed by guidance from the CDC, PHAC and WHO, along with guidance from local, U.S. and Canadian government and public health agencies.

"Based on the guidance we've received from various health agencies, our own preparedness and the current state of our operations, we are confident our stores continue to be safe, and we remain open for business."

The Nordstrom brothers said with the virus spreading, it was important to connect directly with customers about the steps that are taking "to help keep you, our employees and our communities safe and healthy.

"Our hearts go out to all those who have been affected. The health and safety of our customers and employees has always been our top priority and this is a rapidly evolving situation that we will continue to monitor."

As retailers turn their attention to what's happening in their stores, there is still plenty to be worked out on supply chain, which has turned out to be more tangled than previously thought. The National Retail Federation said the outbreak would have a "longer and larger impact on imports" than projected even as Chinese manufacturers return to life.

"As factories in China continue to come back online, products are now flowing again," said Jonathan Gold, vice president for supply chain and customs policy at the NRF. "But there are still issues affecting cargo movement, including the availability of truck drivers to move cargo to Chinese ports. Retailers are working with both their suppliers and transportation providers to find paths forward to minimize disruption."

The Global Port Tracker report, released Monday by the NRF and Hackett Associates, showed just how much COVID-19 has already gummed up global supply chains.

Last month, activity fell 12.6 percent at U.S. ports, which handled 1.4 million twenty-foot equivalent units, or TEUs, a measure used in shipping that is equal to one 20-foot-long cargo container. March is forecast to drop 18.3 percent to 1.3 million TEU. And April, when earlier forecasts projected smoother sailing, is expected to be down 3.5 percent to 1.7 million TEU.

The report then forecasts a rebound, with shipments rising over 9 percent in both May and June.
But given all the unknowns and the fast-moving situation, there are still plenty of questions marks.

“Now that we are in the coronavirus environment, uncertainty has expanded exponentially,” said Ben Hackett, founder of Hackett Associates. “Our projections are based on the optimistic view that by the end of March or early April some sort of normalcy will have returned to trade.”

And that’s the big question all around: Just when will life return to “normal?”