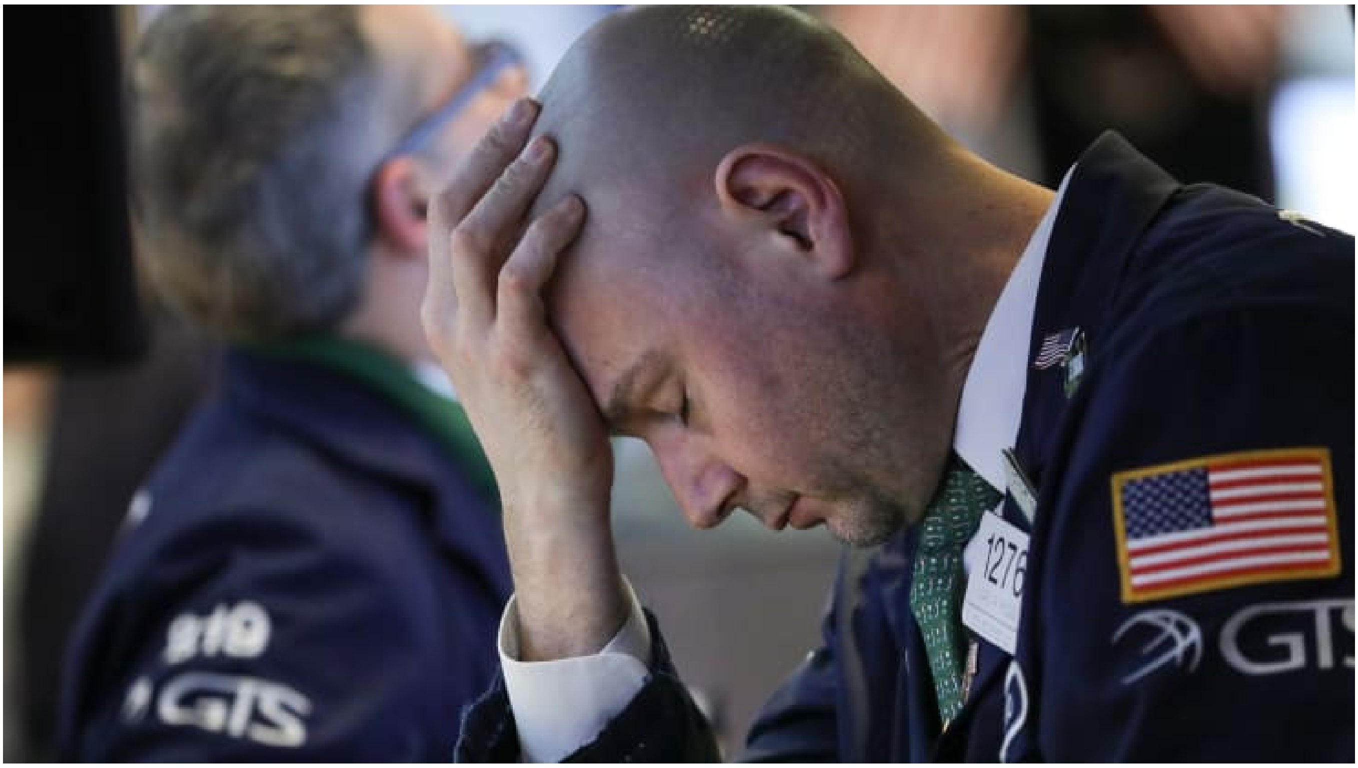
MARKETS

Stock futures drop — hit 'limit down' — even as Fed slashes rates; Dow futures off 1,000 points

PUBLISHED SUN, MAR 15 2020•6:01 PM EDT UPDATED 8 MIN AGO

Fred Imbert
@FOIMBERT

SHARE



Traders work ahead of the closing bell on the floor of the New York Stock Exchange (NYSE) in New York City.

Drew Angerer | Getty Images

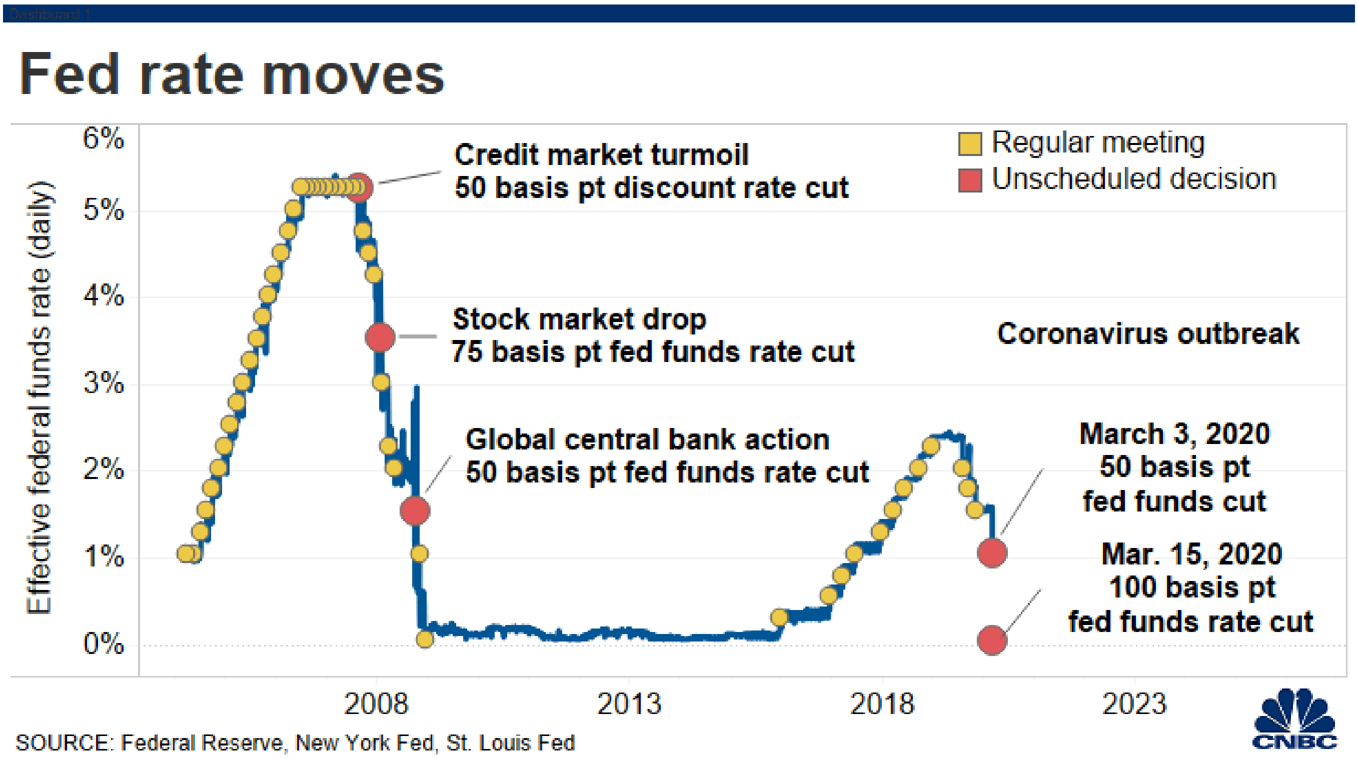
Stock futures plunged Sunday night even after the Federal Reserve embarked on a massive monetary stimulus campaign to curb slower economic growth amid the coronavirus outbreak.

Stock market futures hit "limit down" levels of 5% lower, a move made by the CME futures exchange to reduce panic in markets. No prices can trade below that threshold, only at higher prices than that down 5% limit.

the limit down level. S&P 500 and Nasdaq 100 futures were also at their downside limits.

While the central bank's actions may help ease the functioning of markets, many investors said they would ultimately want to see coronavirus cases peaking and falling in the U.S. before it was safe to take on risk and buy equities again.

"The Fed blasted its monetary bazooka for sure," said Peter Boockvar, chief investment officer at Bleakley Advisory Group. "This better work because I don't know what they have left and no amount of money raining from the sky will cure this virus. Only time and medicine will."



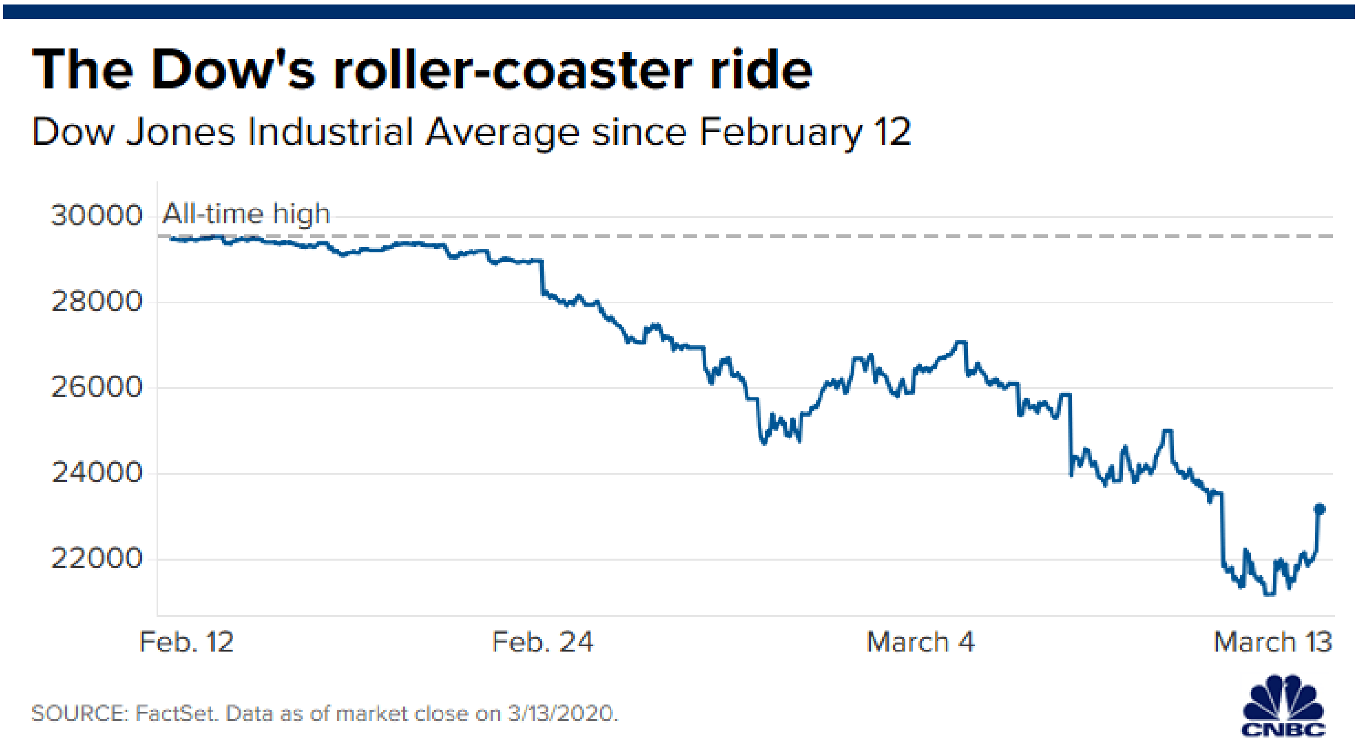
The Fed cut interest rates down to basically zero, their lowest level since 2015. The U.S. central bank also launched a massive $700 billion quantitative easing program. President Donald Trump said he was "very happy" with the announcement, adding: "I think that people in the markets should be very thrilled."

"This, coupled with an important fiscal package, should help cushion the economic downside from the virus' effect on economic activity," said Quincy Krosby, chief

The Fed's announcement came after they issued another emergency rate cut earlier this month. It also comes on the heels of the market's biggest one-day gain since 2008, with the major averages all surging more than 9% on Friday.

But the weekend's news about the coronavirus outbreak was not helping sentiment. U.S. cases have jumped to at least 2,952 and deaths to at least 57, according to Johns Hopkins University.

The Dow and S&P 500 both fell more than 8% last week along with the Nasdaq Composite, tumbling into bear market territory. A bear market is usually defined on Wall Street as a decline of at least 20% from a high.



Investors have been dumping equities amid worries the coronavirus will slow economic growth and take a bite out of corporate profits. Economists at JPMorgan see negative growth for the first quarter while Goldman Sachs downgraded its first-quarter growth forecast to flat from 0.7%.

investor uncertainty and rocked global financial markets," strategists at MKM Partners said in a note, adding the situation will "get worse before it gets better."

"Looking ahead, the number of active cases is likely to worsen in the near run," they said.

More than 156,000 cases around the world have been confirmed, data from Johns Hopkins University shows. At least 2,952 people in the U.S. have been infected while the virus' death toll in the U.S. is at least 57. New York Gov. Andrew Cuomo urged Sunday the Trump administration to mobilize the army to help fight the virus.

To be sure, MKM Partners' JC O'Hara thinks the market may be getting close to reaching a bottom as sentiment keeps dropping and technical signals "suggest a selling climax is near."

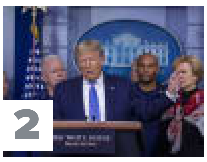
"We believe the conditions are such that we are closer to a sentiment low," the firm's chief market technician said in a note Sunday. "Market bottoms are often made with two distinct lows; a low in price and a low in sentiment, and they don't always occur at the same time. Both are needed before stocks can move higher."

Subscribe to CNBC PRO for exclusive insights and analysis, and live business day programming from around the world.

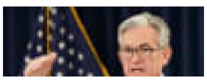
—CNBC's Jeff Cox and Pippa Stevens contributed to this report.

TRENDING NOW

Federal Reserve cuts rates to zero and launches massive $700 billion quantitative easing program



Trump says 'relax,' urges against hoarding as coronavirus cases soar and Fed cuts rates to zero



Powell says Fed is 'willing to be patient' before raising rates again amid coronavirus slowdown