

# Lee Bressler reflects on biggest Dow Jones drop in history

*Earlier this year, the Dow Jones Industrial Average experienced its most significant ever one-day point drop to date.*

NEW YORK, NY, UNITED STATES, September 6, 2018 /EINPresswire.com/ -- Blaming machine-based trading solutions for the biggest one-day Dow Jones point drop ever, traders witnessed a ramp up in the VIX, which measures market volatility, as well as a steep selloff in equities. "There was a real sense of panic among many traders," reveals [Lee Bressler](#).



A number of [hedge fund](#) managers, however, also expressed vindication according to Lee Bressler. "I overheard one hedge fund manager say, of the machine-based trading aspect, 'You have proof of concept on a day like this!'" he adds.

Reflecting on the day in question earlier this year, Lee Bressler recalls how many were prompted to suggest that 'the machines had taken over,' although he's quick to point out that traders on the floor were also buying the dip, not just in financials but across other sectors too.

According to Bressler, trend-following strategies hit a negative trigger around noon. What followed was ongoing selling from volatility targeting strategies, as well as the covering of short volatility trades. "What resulted," Bressler adds, "was a 'flash crash' at a little after 3pm."

Other traders on the day were also quick to blame risk-parity funds, whereby money is allocated in line with risk. "While others began to panic, I spent much of the afternoon simply managing my book," Bressler further recalls.

On that troublesome day for the wider Dow Jones Industrial Average. "I said at the time, 'Lots of funds should be just fine,'" he points out, referring back to funds which ran approximately equal amounts of money on both short and long stock bets. "Thinking about it, that was the day where we found out how uncorrelated they were," Bressler adds.

He went on to reveal how other traders expressed what he says felt like 'a sense of vindication.'

"I heard one prominent strategist suggest that complacency had been 'deep and widespread' and that it was this which had led to the problems witnessed on that day," explained Bressler. "The same strategist also pointed toward an excessively optimistic view caused by a big rally during the previous month."

He continues, "I remember them also suggesting that 2018 was going to be a volatile year throughout, right to the very end." "Frankly, I'd say that with several months yet to go," Bressler

adds in closing, "that still remains to be seen."

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