



MARKET MAYHEM · RESEARCH SHEET · EPISODE 05

Black Tuesday

\$14 Billion. One Day. The Crash That Began the Great Depression.

United States · 1929 · v1.0 · July 2026

On 29 October 1929, \$14 billion in market value vanished in a single day. Jesse Livermore shorted the crash for an estimated \$100 million, the greatest trade in American history at the time, then lost it all and never recovered.

Key Facts

Event	The Wall Street Crash of 1929 – the trigger of the Great Depression
Location	New York – the New York Stock Exchange
The Fuel	Ordinary investors bought “on margin”, borrowing up to 90% of the purchase price
Regulatory Response	The Securities Exchange Act 1934 created the SEC; Glass-Steagall, deposit insurance and formal margin rules followed
Livermore's Fate	Declared bankrupt in 1934; died by suicide on 28 November 1940

By the Numbers

Black Monday, 28 Oct 1929: the Dow falls 12.8% in a single day

Black Tuesday, 29 Oct 1929: about \$14 billion lost in one day; the ticker runs hours behind

Dow peak (Sep 1929) 381 to bottom (Jul 1932) 41 – an 89% decline over three years

Recovery took 25 years – the 1929 high was not regained until 1954

Margin lending at the peak: over \$8 billion in brokers' loans, at leverage near 10 to 1

Livermore's short profit: an estimated \$100 million, roughly \$1.5 billion today

The Greatest Trade That Still Ended in Ruin

Jesse Livermore read the 1929 market correctly, shorted it, and walked away with an estimated \$100 million, the greatest trade in American history at the time. Five years later he was bankrupt. In 1940 he took his own life. Being right, even spectacularly right, once is not a system. Livermore's genius could not survive Livermore's process.

“Leverage does not change whether you are right. It changes whether you survive being wrong.”

How It Happened

The 1920s boom was real: electrification, radio, automobiles, mass production. But by the late 1920s the market had detached from those fundamentals, driven by a conviction that prosperity was permanent.

Americans bought shares on margin, putting down as little as 10% and borrowing the rest. Over \$8 billion in brokers' loans propped up prices. On the way up, 10-to-1 leverage multiplied gains and everyone felt like a genius.

The same leverage worked in reverse. When prices slipped, brokers issued margin calls; investors who could not pay were sold out; the forced selling drove prices lower, triggering still more calls.

The Collapse

The panic peaked across three days. On Black Thursday (24 October) the market fell about 11% intraday before bankers stepped in. On Black Monday it fell 12.8% with no rescue. On Black Tuesday, 29 October, roughly \$14 billion evaporated in one session.

The decline did not stop with the crash. From a peak of 381 in September 1929, the Dow ground down to 41 by July 1932, an 89% collapse, and did not recover its 1929 high until 1954.

The crash helped tip the world into the Great Depression and produced the modern regulatory system: the SEC, the Securities Exchange Act, Glass-Steagall, deposit insurance and formal margin rules.

Timeline

1921	The Dow stands around 100
Aug 1929	John J. Raskob publishes "Everybody Ought to Be Rich", three months before the crash
Sep 1929	The Dow peaks at 381
24 Oct 1929	Black Thursday — ~11% intraday drop; bankers intervene
28 Oct 1929	Black Monday — the Dow falls 12.8%; no bankers appear
29 Oct 1929	Black Tuesday — about \$14 billion lost in a single day
Jul 1932	The Dow bottoms at 41, 89% below the 1929 peak
1934	Jesse Livermore declares bankruptcy
1954	The Dow finally recovers its 1929 high

Mind · Method · Money — What This Means for You

MONEY · Leverage is an amplifier of outcomes, not returns

The margin investors of 1929 did not necessarily pick bad businesses; they held them at 10 to 1. At 1% risk per trade, twenty consecutive losses leaves you at 82 cents on the dollar, recoverable. At 10% risk, the same streak takes you to 12 cents. Position sizing decides whether you survive long enough to be right.

MIND · When caution feels socially unacceptable, you are late in a bubble

By 1929, valuations had disconnected from reality and cultural certainty had made caution feel unpatriotic. When the consensus of a bull-market crowd makes being careful feel embarrassing, the crowd's certainty is the signal, not the evidence.

METHOD · Being right is not enough

Livermore identified the bubble, built the correct position, held through enormous pressure, and captured one of the greatest trades in history, and still ended in ruin. Your edge must be a repeatable system, not a single moment. The genius trade cannot sustain a trading life.

Modern Parallels

The specific assets change but the structure repeats: a real boom, a belief that this time prosperity is permanent, and leverage that makes everyone feel brilliant until it does not. Whenever caution starts to feel embarrassing and borrowed money is doing the buying, 1929 is worth remembering.

Read & Listen

Read the full write-up and listen to the episode: [Black Tuesday, 1929 \(EP05\)](#)

Related Research

Previous episode: [EP04 · Railway Mania \(1840s\)](#)

Next episode: [EP06 · Silver Thursday \(1980\)](#)

The next one forming: [The Next Market Crash — 5 Scenarios](#)

Sources & Further Reading

John Kenneth Galbraith, *The Great Crash 1929* (1955)

Maury Klein, *Rainbow's End: The Crash of 1929* (2001)

Edwin Lefèvre, *Reminiscences of a Stock Operator* (1923)

Market Mayhem: When Greed Meets Gravity, *The Complete Trader's Edge*

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FROM THE BOOK

This crash is dissected in full in **Market Mayhem: When Greed Meets Gravity** — 22 chapters, four centuries of bubbles, one repeating blueprint.

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