

Some 'sell' signals perform better than others

Over the years, the pundits have developed many stock market sell signals, which have presumably worked for them.

Some of these signals are bizzare, like length of women's skirts, sun spots and abnormal temperature changes.

Others are more mundane and sensible. Today, we will discuss four signals that appear to me.

Discount rate via-a-vis Treasury Bill rate

One of the best-known sell signals is the crossing over of the 90-day Treasury Bill rate over the Federal Reserve's discount rate. Both rates are regularly published in the local newspapers.

The Treasury Bill rate is the best indicator of the tightness or easiness prevailing in the current market, whereas the discount rate is the rate the Fed charges on the loans it makes to its member banks.

Whenever the Treasury Bill rate has risen above the discount rate, stock prices have declined on a monthly basis about 75 percent of the time.

The reason is simple: An increase in the short-term rates signals a tightening of credit conditions which, in turn, harms the stock market.

Real corporate profits

Stock prices are a function of corporate profits. The higher the corporate profits, the higher the stock prices.



finances and you

Sid Mittra

rate earnings, the higher the potential for an increase in the related stock prices.

Real corporate profits are easy to track, since they are published every quarter by the Department of Commerce in the Wall Street Journal and "Business Week."

Tightening action by Fed

We know that a tightening action

by the Fed lowers stock prices. Three consecutive tightening actions generally signal the end of a bull market.

The tightening action may result from an increase in the discount rate, member bank reserve requirements, or stock market margin requirements. Whenever the Fed decides that inflation is too high or that the dollar needs strengthening, it

takes tightening actions as a corrective measure.

Such a measure usually lowers corporate profits. Lower profits lead to lower stock prices.

Leading indicators

The Department of Commerce regularly publishes an Index of Leading Indicators. A fall in this index precedes a bear market.

Obviously, it is important to keep a close track of this index.

Personal taxes

An impending increase in personal taxes generally lowers stock prices. Personal taxes have not been raised in recent years, but a cut in taxes

less than anticipated also could lower stock prices.

Next issue: the timing concept.

Educational seminar: Tax, investment and financial planning seminar sponsored by Observer & Eccentric Newspapers and Coordinated Financial Planning Inc. 7-9:30 p.m. Thursday, May 15. The seminar will be held at the Bloomfield Township Library, 1099 Lone Pine, Bloomfield Hills.

For registration, call 643-8888.

Sid Mittra is director of certificate program in personal finance at Oakland University and president of Coordinated Financial Planning Inc. in Troy.

datebook

INFORMATION PROS

Thursday, May 15 — Detroit Chapter of the Association of Information Systems Professionals meets. Information: Valina Walker, 418-1500.

ACCOUNTANTS

Thursday, May 15 — Detroit Chapter of National Association of Accountants meets. Information: 259-9600.

AD ASSOCIATION

Thursday, May 15 — Business/Professional Advertising Association presents BIZ-COM awards. Information: 643-4644.

CPAs AND PLANNING

Thursday, May 15 — Certificate of completion in personal financial planning offered in Farmington Hills, Southfield and Troy May 15-Dec. 19. Information: 855-2288. Sponsor: Michigan Association of Certified Public Accountants.

CPAs AND TAXES

Friday, May 16 — Financial and tax planning conference from 8 a.m. to 4:45 p.m. in Bloomfield Hills. Fee: \$80. CPE credit: 8 hours. Information: 855-2288. Sponsor: Michigan Association of Certified Public Accountants.

GMAT MATH

Saturday, May 17 — Mathematics refresher for persons preparing for the June 24 Graduate Management Admissions test offered 1:30-3:30 p.m. in Rochester. Fee: \$35. Information: 370-3120. Sponsor: Oakland University.

STARTING A BUSINESS

Saturday, May 17 — "Successful Strategies for Starting a Business in Michigan" seminar offered in Troy. Fee: \$65. Information: 828-2790. Sponsor: Business Information Network.

GMAT PREPARATION

Saturdays, May 17-31 and June 14 — Workshops for persons preparing for the June 24 Graduate Management Admissions test offered from 9 a.m. to 12:30 p.m. in Rochester. Test fee: \$125. Information: 370-3120. Sponsor: Oakland University.

BANK ADMINISTRATORS

Monday, May 19 — Bank Administration Institute meets. Information: Joseph V. Malan, 857-5551.

REAL ESTATE TAXATION

Tuesday, May 20 — "New Developments in Federal Taxation Affecting Real Estate" course for lawyers offered 3:30-8:30 p.m. in Troy. Fee: \$45. Information: 763-3233. Sponsor: Institute of Continuing Legal Education.

WOMEN IN REAL ESTATE

Tuesday, May 20 — Women's Commercial Real Estate Association meets at 11:30 a.m. in Birmingham. Information: Sue Harrison, 363-8307.

SECRETARIAL SEMINARS

Tuesday, May 20 — Half-day seminars on "Communicating Effectively" and "Effective Writing Skills" offered from 9:30 a.m. to 4:30 p.m. in Southfield. Fee: \$89. Information: 358-2121. Sponsor: Office Management Consultants.

NEW BUSINESSMEN

Tuesday, May 20 — Workshop for those planning to open a business offered in Detroit. Fee: \$10. Information: 226-7947. Sponsors: U.S. Small Business Administration, Service Corps of Retired Executives.

ENTREPRENEURIAL IQ

Tuesday, May 20 — "Test Your Entrepreneurial IQ" workshop offered 6-8 p.m. in Troy. Fee: \$15. Information: 524-9742. Sponsor: Entrepreneur's Business Store.

EXPORT MARKETING

Tuesday, May 20 — "Export Marketing in the New Competitive Environment" seminar will be held from 8:30 a.m. to 2:15 p.m. in Detroit. Information: 377-1525. Sponsor: Wayne State University.

INVESTING

Tuesdays, May 20-June 10 — "The Art of Investing" offered 7-9 p.m. in Birmingham. Fee: \$40. Information: 577-4665. Sponsor: Wayne State University College of Lifelong Learning.

COMPETITION SYMPOSIUM

Wednesday, May 21 — Symposium on competition offered from 8:45 a.m. to 4:30 p.m. in Troy. Non-member fee: \$85. Information: Christina Lins, 574-8715. Sponsor: Detroit Metropolitan Chapter of Institute of Cost Analysts.

MARKETING PROS

Wednesday, May 21 — Michigan

Chapter of Society for Marketing Professional Services tours Meteor Photo in Troy. Information: Sheryl Malbach, 548-2000.

PURCHASING MANAGERS

Thursday, May 22 — Purchasing Management Association of Detroit meets. Information: Jo Ann Mayer, 362-8881.

LAWYERS & HEALTH CARE

Thursday, May 22 — Free seminar, "The Business of Health Care," offered 2:30-5 p.m. in Southfield. Information: Karen Colella. Sponsor: Plante & Moran.

NEW BUSINESSES

Thursday, May 22 — Free introductory small business workshop offered 7-9 p.m. in Troy. Information: 577-4354. Sponsor: Wayne State University school of business administration.

Thursday, May 22 — Metropolitan Rehabilitation Association holds its spring conference from 8:30 a.m. to 4 p.m. in Southfield. Information: Diane Harry, 992-1450.

FARMINGTONS' CHAMBER

Thursday, May 22 — Farmington Hills Chamber of Commerce luncheon with Newton D. Zinder of E.F. Hutton & Co. at noon in Farmington Hills. Information: 474-3440. Deadline: May 20.

BUSINESS WOMEN

Tuesday, May 27 — Twelve Oaks Charter Chapter of American Business Women's Association meets. Information: 644-9128.

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