Market plunge scares first-time investor

today's investor

Thomas E. O'Hara

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Q. I have seen reports in your columns and by others who think the stock market will go as high as 2,500 or even 3,000. That sounded great to me, and I bought Dart and Kraft on Sept. 5 at $64 a share. Then came Sept. 11 and 12, and the market dropped 100 points.

My Dart and Kraft came down to $55. This is my first venture in the stock market, and I am shocked and scared to death about what has happened. If I sold my stock now, I'd have lost $1,200 including commissions I've paid. That's a 19-percent loss in two weeks.

Can you offer me any advice, both to make me feel better and to give me some hope?

A. First, let me say I still believe the stock market will go to 2,500 or even 3,000. I don't expect that to happen tomorrow or next month, or even next year, but I do believe there is a reasonable chance that it will happen in the next three to five years.

The 100-point drop on Sept. 11-12 was simply a pause or a correction on the way there. There will be other pauses or corrections before we make it to 3,000. One or two may be as much as 200 points or more.

WHEN WE GET to 3,000, a correction of 300 or more could easily occur in two or three days.

It is always important to recognize that stocks sell in an auction market, and when sellers outnumber buyers, prices can decline and do so quite rapidly.

No one stands there ready to buy every stock offered for sale. The more stock offered at any one time, the further the price is likely to drop.

WHEN THE KIND of drop that occurred Sept. 11-12 takes place, it doesn't mean something is wrong with the company you own. It is still making sales and earning profits, and as a going entity it is just as valuable as it was on Sept. 10 before the big drop took place.

In the case of your particular company, the drop in price was 14 percent (19 percent if you sold the stock and figured in the commission cost). The market itself was down about 5 percent, so your stock was down substantially more, than the market.

THERE ARE SOME special factors that could account for that. One is that Dart and Kraft had just had a run-up in price that took it to a high that was a little rich at the time.

Secondly, it is very widely owned by institutions and so could have been the victim of computer-programmed selling by many of them.

Third, D&K has announced that it is dividing into two companies, and this may have caused additional uncertainty.

Basically Dart and Kraft has had a fine record of growth, and I would expect it to show you good value the next time the market is hitting new peaks.

Thomas E. O'Hara of Bloomfield Hills is chairman of the board of trustees of the National Association of Investors Corp. and editor of Better Investing magazine. O'Hara welcomes questions and comments but will answer them only through this column. Readers who send in questions on a general investment subject or on a corporation with broad investor interest and whose questions are used will receive a free, one-year subscription to Better Investing. O'Hara will send a free copy of Better Investing magazine or information about investment clubs to any reader requesting it. Send 50 cents for postage and write Today's Investor, P.O. Box 220, Royal Oak 48068.

Archer to chair SEMTA board

Robert Keith Archer, Dearborn director of finance, is the new board chairman of the Southeastern Michigan *Transportation Authority* (SEMTA).

Other new officers are Malcolm Dade, first vice-chairman, and JoAnn (Jody) Soronen, second vice-chairman. Dade, of Detroit, is Detroit Edison vice-president of community and government affairs.

Soronen, of Farmington Hills, is executive director, Farmington-Farmington Hills Chamber of Commerce and a member of the Farmington Hills City Council.

"IT IS PAINFULLY obvious that the Detroit-area economy has long suffered from the lack of a truly regional approach to transit," Archer said.

"We are the only major area in the nation with no local funding base for our operations. Without such a base, we cannot move forward."

Archer is vice-chairman of SEMCOG's Community and Economic Development Committee. He began his career with Dearborn in 1957 as director of transportation and later served as director of public safety and chief of police, director of parks and recreation, and in numerous other capacities, including chief executive officer. He has been director of finance since 1978.

A STATE Senate bill to reorganize SEMTA as a series of countywide departments is languishing in the House of Representatives.

"We can't do much more," said Senate Majority Leader John Engler, R-Mount Pleasant, in a post-session interview last week. "We would hope the House would respond to the bill we passed more than a year ago."

That bill, sponsored by Sen. Richard Fessler, R-West Bloomfield, would set up the mayor of Detroit and county executives as board members of a coordinating agency. But the city of Detroit and the counties would operate their individual agencies, either with their own employees or by contracting with private bus companies for service.

OCC hosts 'Career Day' at Royal Oak

High school students will have a chance to meet more than 50 college and university representatives Tuesday, Oct. 7, when Oakland Community College hosts "Career Day" on its Royal Oak Campus.

Times are 4-5:30 p.m. and 6:30-8:30 p.m. Admission is free.

The campus is at 739 S. Washington in Royal Oak.

"This is the first time a centralized effort of this kind is taking place for high school students," OCC counselor Jim Kane said.

"The University of Michigan, Michigan State, Wayne State, Central, Alma, Adrian, Albion, University of Derolt and Walsh are among the participating schools."

They will offer students planning to attend college information about tuition, financial aids, scholarships, degree programs, admission, registration and student services.