

Area investment advisers calm client fears

By Tom Henderson
staff writer

Brokers and investors began to breathe a little slower Tuesday afternoon as the stock market rallied, returning their blood pressures and adrenaline levels to near normal. Once again, 1929 seemed long ago, and not just around the corner.

By Wednesday, as markets around the world continued to rebound from Black Monday (for Black Tuesday, depending on which side of the Atlantic the market was located), it almost seemed like business as usual. The frenetic pace and panic of Monday already seemed a distant memory. In just two days, investors and investment advisers had grown accustomed to swings in the Dow that would have

seemed wildly incredible, unbelievable or even terrifying when the week began.

The market has been the center of everyone's conversation, replacing the weather and the World Series. Here's what some of the local experts have been saying during a week they may very well remember the rest of their lives:

DR. SID MITTRA, a professor of economics and finance at Oakland University and owner of Cordained Financial Planning in Troy, got a call from a panicked client Monday afternoon. "I couldn't get a word in for five minutes," said Mittra Wednesday. "He told me what the market was doing in London, Tokyo, that the Dow was down 300, that the recession was here. 'Tell me what to do,' he said."

"I told him: 'Do you realize I took you out of the market three months ago and you're completely liquid?' The client responded with 'Oops, I forgot.'"

In fact, Mittra got all his clients out of the market three months ago. "I saw great signs of weakness and when the Dow hit 2,600, I decided my people should be liquid. My crystal ball said there would be a correction of 15-20 percent, though I never foresaw what actually happened."

What does his crystal ball tell him now? A 3,000 Dow "certainly within the year," but severe ups and downs over the next several months. "Stay away. You cannot win in this market except by accident, and you don't bet on accidents. People are coming into the market out of greed or fear and

that's not sustainable. We have not seen the end of the bear market — if the market goes up to 2,000 today, people will say we're out of the woods, but I don't think so."

Mittra said reasons for short-term worry and his belief that the Dow eventually will sink to 1,500 before taking off include: a lack of consumer confidence and a cut-back in spending over the holidays; foreign money fleeing to safer shores or markets; people dumping their shares in mutual funds; continued profit-taking by pension plans, Keoghs and 401-Ks; and computerized selling programs "which in a panic situation are devastating because the computer can't make the judgment that 'Hey, this is panic selling and I'll hold on.'"

TRIP BOSART is a managing director of McDonald and Co. Securities Inc. and manager of the Birmingham office. He said Tuesday afternoon that there were excellent values in blue-chip stocks like Ford and Procter and Gamble and rational reasons to invest, but that these are irrational times calling for caution.

"There are ridiculous prices out there, but you don't stand in the way of a runaway freight train, you stand aside," he said. "We've seen a major re-evaluation of assets. Now, this is purely an emotion-driven market."

He said that in retrospect, he and others should have known the market was in for a severe tumble because of the wide diversity between stock-market dividends and bond-market interest. Bosart said before the fall, stock-market dividends were about 2 1/2 percent, with bonds paying about 10 1/4.

"You can calculate it in history, but we ignored history because we were all so enamored with the market. But things were way out of whack."

As for the recent past, he said: "I can't remember most of Monday." As of the future, he sees emotion

subsiding and smart investors making blue-chip buys: "I would love to see a day when we were up three or down three."

DAN BOYCE is a member of the Center for Financial Planning in Birmingham and chairman of the board of the Metropolitan Detroit Society of the Institute for Certified Financial Planners. He said the mood of his 200 clients has been far from panic.

"They're looking at it as a short-term drop. Though significant, it's not devastating," he said Tuesday morning. "By the end of the day Monday, I had only one call and when I got home, I had another call. It wasn't terribly hectic, though it was depressing. But I'm certainly not panicking and trying to reach every client."

What's next? "A 2,700 market was probably too high, but 1,700 is probably too low. It will shake out somewhere between. It's impossible to answer where the bottom is."

He says to forget short-term killings and to think long-haul. For people "tired of the roller coaster," he recommends bonds, real estate and precious metals and metal-related stocks.

RICHARD ROSENBAUM is

manager and co-owner of Birmingham Stamps and Coins and is a dealer in precious metals. Business Monday was "tremendous," it was a veritable mad house," though he said it was nothing like in the gold-boom days of 1980. "In those days, you couldn't get in the store; they were lined up on the sidewalk." Still, he did as much business in a day as he usually does in a week.

Rosenbaum said Tuesday morning that despite the advance by metals Monday, only a fool would think he could take short-term advantage of the crash by investing in gold, silver or platinum. "Get in it for the long haul and use your poker money, not your food money."

Events proved him right. Gold was off between \$13.75 and \$23 Tuesday, depending on the market. "I try to talk people out of buying (metals) if they're not willing to hold on to them for at least five years," he said.

FRED SCHATZ, the director of human resources at the First National Trading Corp. of Southfield, got a lesson Tuesday in the vagaries of investing.

"The big investors are waiting for the dust to settle and then they'll be bargain hunting. I'm very optimistic," he said.

Market slump sparks reaction

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City and school officials believe the bonds they have invested in are solid. "Generally, when the stock market goes down, bonds (interest on them) goes up," Rosch said.

The employee pension systems in both cities, however, are likely to be affected by the market slump, Deandman and Rosch said. "Those gains we made as the stock market ran up has been affected by the current run," Deandman said, adding that Farmington has invested about 20 percent of the pension fund in the market.

ROSCH AGREED. But he said the slump should not affect the Farmington Hills system's ability to finance the pension system because it is a relatively new system with a

healthy cash flow. "All the stocks we invest in are solid companies," he said.

Like the cities, the school district has most of its available money invested in interest-bearing accounts rather than the stock market, Inch said.

The board treasurer said he is uncertain where the district has its money specifically invested, but he believes there's no need for panic. "Since we are in and out of the market, it could have affected us. But I'm not sure."

"My attitude on it is that we have to wait for the dust to clear," Inch continued.

Obviously, he said, those institutions, such as insurance companies that invest heavily in the stock mar-

ket, "took the biggest bath."

Without offering specifics, Patrick Anderson of Farmington Hills-based Alexander Hamilton Life Insurance Co. of America, acknowledged the expected effect on insurance companies.

"THE INSURANCE company is very involved in the stock market, the bond market and other investments," the economist said. "We invest money in a large number of areas — real estate, U.S. government bonds, bonds for corporations and stocks."

Alexander Hamilton, he said, has a "very balanced and diversified portfolio. We never put all our eggs in one basket. But even a good basket falls," Anderson said, without elaborating.

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