



market watch

John Vernier

Stock summary: A shifty decade

As the 1970s draw to an end, stock prices, as measured by the popular Dow Jones Industrial Average, are little changed from what they were at the beginning of the decade. A decline, which had begun from the 1000 level in late 1968, crossed 800 as the decade began and terminated in the spring of 1970 at 650. While that decline was largely a correction of the market's own excesses, created in the speculative atmosphere that prevailed in the latter 1960s, it also reflected the early stages of the trends toward higher interest rates and international monetary instability. In addition to those factors, the stock market was also affected by some shocking business failures, most notable was the bankruptcy of the Penn Central Railroad. Interest rates turned downward from a peak of 8.5 percent in the spring of 1970, declining to 4.75 percent in early 1972. The stock market reacted strongly to this and other bullish news. It rose from the 550 low in 1970 to a peak of 1050 in January, 1973. That level still stands as the all-time high for the Dow Industrial Average. **THE STRONG** market was short-lived, however. Rising interest rates again dominated the scene. The prime-lending rate rose quickly to a record 12 percent in mid-1974. The market responded accordingly, losing almost 50 percent of its price to the 530 level in late 1974. Again, while rising interest rates were the main cause of the decline, there were two other notable events that added to the seriousness of the fall in stock prices. The oil embargo in October, 1973 caused the market to lose a quick 200 points, from the 1000 level to 800. It hovered in that general area until the late summer of 1974, when perhaps the most shocking event of the decade occurred — the resignation of our president. That event caused moments of panic, and when the reaction had finally ended, the market settled to a level of 580. **THEN, ONCE** again, interest rates took a turn for the better. The prime rate dropped from the 12 percent mark to 6.25 percent in early 1977. The stock market responded by staging a strong rally that saw the market quickly return to the 1000 level by early 1976. It spent the better part of that year pivoting at, or just below, the seemingly impregnable barrier. When it became apparent that interest rates were once again on the rise, stock prices began to dip once more. The prime rate steadily increased from the 6.75 percent level in 1977 to its recent peak of 15.75 percent. The market made its most recent low in February and March of 1978 when it touched the 750 mark. Even though interest rates have risen considerably since then, stock prices have chosen to ignore the rise and the average currently stands at around 850. So, as the dawn of the 1980s approaches, I wish you season's greetings and a happy new decade. *The writer is with Manley, Bennett, McDonald and Co. in Plymouth.*

The Capon caper or beware free meals

For sheer ingenuity, this caper has no equal. Your wallet or your wife's purse containing her wallet is stolen while you are dining in a restaurant. You attempt to place the responsibility on the owner of the restaurant, however, he refers you to a sign that states in bold letters, "not responsible for stolen property." Once you arrive home, however, you receive a call from someone purporting to be the restaurateur, who now apologizes for his rudeness and states that your wallet was found in a trash can; unfortunately all of the money was gone. To soothe the wound, he invites you and your family to be his guest the next evening. He also mentions that he suspects one of his employees of being the thief. He instructs you to arrive at 7 p.m. and asks that you not mention the free meal until after you have dined because this same employee has been suspected of padding bills. You proceed to the restaurant the next evening with visions of retrieving your wallet and getting a free dinner; however, simultaneous with your arrival at the restaurant, the swindler arrives at your home in a truck, and while you are filling your stomach, he is emptying your house. The piece of resistance is discovering the manager never made the telephone call and that you must now pay for those expensive meals. A similar ruse could occur while at the shopping center. You may have the misfortune of having your wallet or purse "stolen," and the common response is to report it to the security police at the shopping center, who in turn, will advise you to report it to the local police. Once you arrive home, you may receive a call from someone stating that they are from the security police at the shopping center, and your wallet has been located. You are asked to return to the center to pick it up. Don't go. It may be an attempt on the part of the person who stole your wallet to get you out of the house long enough to rip you off. A return call to the security police and also the local police to verify the call will save you money and many an embarrassing moment.

Holiday partying may be tax write-off

Businesses may want to express their good will this holiday season by throwing a party for clients, customers or employees. However, according to the Michigan Association of Certified Public Accountants, for it to be a tax-deductible business expense a few guidelines must be followed. This includes that the boss must be present and

personal friends should not be invited. Holding the annual holiday party in your home this year may be just as deductible as if you took clients or employees to a restaurant. Spouses of clients or employees may be invited because the cost of entertaining such spouses, including your own, is also deductible. If some of the guests are not business contacts, the expenses can

be pro-rated accordingly. One of the most important things to remember about business entertainment expenses is keeping records. The CPAs say this should be made at the time of the entertainment. To claim this tax deduction, it is a must to provide a list of guests, their business relationship to the company, the purpose of the party and the date.

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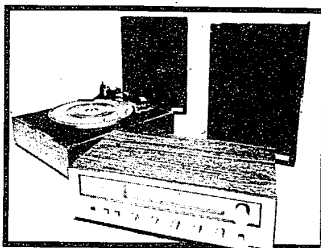
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While you're at Tech Hifi, ask for your free copy of *The 1980 Hifi Book*. It has 128 pages in full color filled with information you should know about the latest in stereo.



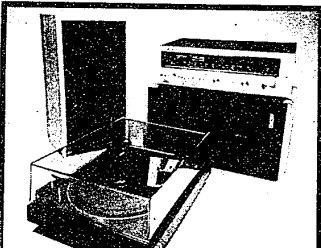
\$199 TDC KENWOOD Philips

Tech Hifi's \$199 package is your best introduction to component stereo. You'll get better sound than the similarly-priced "compact" systems you find in department stores. And you'll get all of Tech Hifi's great guarantees. This system has a TDC 1500 am/fm stereo receiver, Kenwood LS-100 speakers, and a fully-equipped Collaro 1251 automatic turntable by Philips.



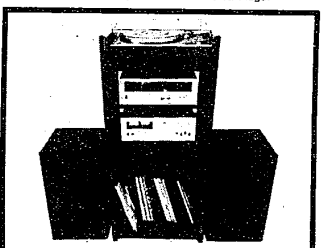
\$299 Technics PIONEER BSR ADC

Our \$299 system combines great-sounding components at a budget-pleasing price. The receiver is Technics' popular SA80. It drives a pair of Pioneer XDS loudspeakers. Thanks to modern, vented design, XDS deliver both deep bass and high efficiency. Finally, you get a brand-new BSR Mark Va automatic turntable with belt drive. It comes complete with an ADC cartridge.



\$399 KENWOOD KLH 000 PICKERING

Tech Hifi's \$399 system gives you more power, better reception of weak FM stations, and an even more precise turntable. It has a Kenwood KR3090 stereo receiver (delivering 27 watts per channel FTC) with elegant KLH Classic Jr. loudspeakers and a fully-equipped B*PC 20Z turntable (complete with a Pickering cartridge).



\$599 KENWOOD

Our \$599 Christmas package price for this high-performance Kenwood system includes the walnut vinyl rack pictured! It has a Kenwood KA5700 amplifier with 40 watts per channel (FTC), power meters, a subsonic filter, and more. The tuner is a KT6500, while the turntable is a semi-automatic, belt-driven KD1500 (complete with a Pickering cartridge). The speakers are wide-range Kenwood LS300's.



\$659 Philips PIONEER Ohm audio-technica.

This \$659 package gives you "high-end" sound at a middle-of-the-road price! It features rave-reviewed Ohm L loudspeakers. They're driven by Pioneer's best-selling SX680 stereo receiver, with 30 watts per channel (FTC). For your records, there's a fully-automatic Philips GA408 all-electronic turntable, complete with a light-tracking Audio-Technica AT100E cartridge.

Gift ideas \$5 and up.

- ADC 95QE phono cartridge.....\$15
- Micro Acoustics 2002e cartridge.....\$99
- AKG K140 studio quality headphones.....\$39
- Headphone extension cable.....\$6.99
- Discwasher record cleaner.....\$8.99
- Trans Classic 1 deluxe record cleaner.....\$15
- Studio Design 16 speakers (ea).....\$35
- TDC 1 full-range speakers (ea).....\$39
- Walnut vinyl stereo equipment cabinet.....\$79
- Kleeneez record cleaner.....\$ 5
- TDC .5 high performance mini loudspeakers (each).....\$60

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