

# Blitch Watch

by GUNDELLA



## The capital market: A mirror of tomorrow

Five days a week, six hours a day (national holidays excluded), the ticker is constantly printing the multitude of transactions that occur on the New York Stock Exchange.

There are no coffee or lunch breaks. The market runs continuously from 10 a.m. until 4 p.m. New York time.

News events of the day have their effects on stock prices for that particular day. Some days are good, others are bad. Many will be uneventful.

Taken on its own, any single day is not too important. Laid side by side, however, a significant pattern will usually reveal itself. There will either be an identifiable trend up or down, or a flat, sideways movement that shows no strength in either direction.

**STOCK MARKET** trends usually prove to be an accurate reflection of the financial and economic condition of the country. The trend is the result of thousands of individual investment decisions to either buy or sell. In the long run the law of supply and demand will determine the level of prices.

Most investment decisions are based upon the individual's appraisal of prospects for the future. So, today's prices are an indication of what tomorrow is expected to bring. This is why the stock market is often referred to as a "mirror of tomorrow."

Surprisingly, considering the raft of negative news that we have been flooded with so far in 1979, the stock market has been able to eke out a small gain from its closing figure in 1978.

The market, as measured by the Dow Jones Industrial Average, is currently ahead some 30 points as compared to its year-end figure of 805.

**MOST MARKET** observers are elated that prices have been able to hold so well in face of the several obstacles the market has had to contend with so far this year.

After a strong showing in January, the market reacted sharply to the fall of the friendly government in Iran. It turned strong again in early March and was able to move on to new highs for the year until the failure of the reactor plant in Pennsylvania. This sent a shudder through the entire market — particularly affecting the usually stable utility section.

Other than damage to a few specific companies that were directly related to the accident, the market contained itself quite well and was beginning to show signs of improvement.

Suddenly however, stories of long lines of motorists at gasoline stations in California began to dominate the news. Within a short, three-week period of time we have become acutely aware of a worrisome energy problem. While the public's wrath is reflected in heated political debate, the problem intensified.

**THERE IS NO** immediate solution in sight. The stock market has already reflected concern of investors in many different areas. The hotel-motel and recreational companies have witnessed declines in their securities out of fear that the American travel and vacation habits will be altered.

The auto industry has already felt a serious slackening of big car sales, and an almost unfillable demand for the compact.

How long will the gas shortage last, and how serious will it become before it ends — if ever?

The answer, of course, lies only with the future. But based upon our records of the past we'll find an answer. And the stock market will probably reflect the solution long before it becomes obvious.

*(The writer is an account executive in the Plymouth office of Mantey, Bennett, McDonald and Co., member NYSE.)*

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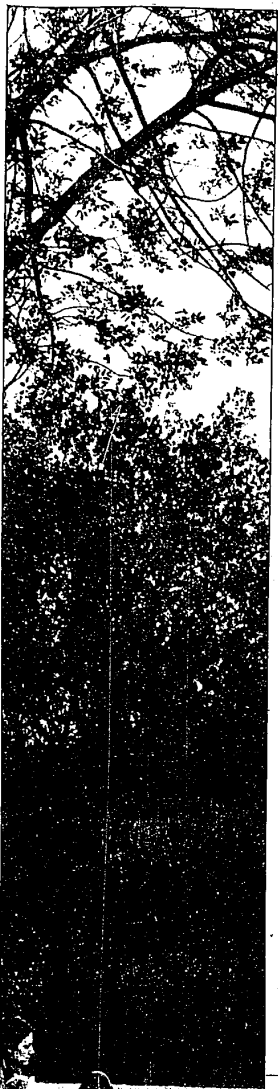
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