

Market not overvalued

It is Friday, May 27, and the stock market is very near its all-time high. I have four stocks: Borg-Warner, General Motors, American Family Corp., and R.P. Scherer. General Motors is as high as it has been for years, and the other three are higher than they have ever been. This scares me, and I wonder if I should sell out and put my money in the bank. What would you do in my situation?

First, let's look at the stock market itself, and then let's look at each individual company.

The stock market is at a all-time high as far as prices are concerned, but by many measures, it is a lot lower than a high. The stock market has not adjusted to the inflation that has taken place in the economy in the last 10 years.

The Dow Jones Industrial Average hit 1,000 back in 1945. Today, it is over 1,200. So in 13 years, that stock market has gone up 20 percent. Yet inflation has gone up much more in the same 13 years. Stock values may reflect some inflation, but not that much.

In relation to earnings and book value of the stocks in the Dow Jones Average, the market is closer to a low than a high. To me, those gauges suggest that the market could go much higher. It would be very normal for the market



today's investor

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ket to pause for several months or even drop off 10 to 15 percent, but I would not get concerned if that happened. I believe the basics suggest the market over a period of time will move up substantially.

Now, let's look at your four stocks. You've made an excellent selection. Borg-Warner has a good rate of growth, has done an excellent job of diversifying its businesses, and the quality of its management shows in its good profit margins. The record of the company in the recent recession shows how well management has reduced its dependence on cyclical manufacturing.

I would expect this company to continue to make good progress. Its price should be a little better than the stock market.

General Motors has worked very hard to improve efficiency. The recent earnings suggest that if a good sales increase could be achieved, earnings would move up very rapidly.

If the company can keep its labor costs from advancing too rapidly, it will gradually improve its world competitiveness. In a good year, I would expect to see GM earn three to four times this year's expected earnings.

American Family Corp. is a unique organization where management has clearly explained to shareholders how it plans to advance the rate of growth. Management has also done a very good job of producing the results it said it was working for.

I have a high degree of confidence that this company will continue to show progress well above the average and that its stock price will do much better than the market generally.

R.P. Scherer has gone through a reorganization of its business, fought off a merger attempt, and is selling at quite a high price-earnings ratio. However, it is well regarded by a number of my analyst friends who expect it to resume its earlier growth trend.

datebook

• '50s CELEBRATION

Friday, June 17 — The Merchants of Century Plaza will have a '50s celebration from noon to midnight on Rochester Road between Big Beaver and Wadsworth. Wind Radio's 1957 Chevy will be just one of the vintage cars on display. There will be a dance contest, '50s dress contest and a kids' Hula-Hoop contest. Free photograph for anyone dressed in '50s style.

• SMALL-BUSINESS MANAGEMENT

Saturday, June 18 — To introduce business owners and new company planners to their training programs in small-business management, Michigan State University's school of business and Small Business Management Schools of Royal Oak will hold a free workshop at 10 a.m. at the MSU Management Center, 611 W. Square Lake Road in Troy. For further information, call Small Business Management Schools at 543-4220.

• FINANCIAL PLANNING

Saturday, June 18 — A free seminar on financial planning will be offered at 10 a.m. in Suite 3, Building A, 22725 Greater Mack Ave., St. Clair Shores. Sponsored by RPA Financial Services Inc. For reservations, call 776-4760.

• CARS AND MUSIC

Saturday, June 18 — Live entertainment and a swap meet will combine at Park 'n' Sell at the Galaxy Drive-In Theater, Dequindre north of 10 Mile in Madison Heights. The swap meet begins at 9 a.m. and runs until 4 p.m. WCKI personalities will stop in from noon to 2 p.m. to provide entertainment.

• PERSONAL FINANCES

Tuesday, June 21 — Tips on how to keep inflation and taxes from eroding purchasing power will be the subject of a financial planning seminar 7:30-9:15 p.m. at the Royal Oak Public Library, 222 E. 11 Mile, Royal Oak. Free seminar sponsored by Investors Diversified Services. For further information, call Michael Morger at 968-1000 during normal business hours.

• SMALL BUSINESSES

Tuesday, June 21 — "How to Start a Successful Small Business" will be offered 7-10 p.m. Tuesdays for six weeks at Small Business Management Schools in Royal Oak. For more information, call the school at 542-4220 during normal business hours.

• COMPUTER AUDITING

Tuesday, June 21 — "Auditing in a

Contemporary Small Computer Environment" is designed to help auditors develop a pragmatic approach to problems encountered when dealing with smaller computers. The course will be offered from 8:45 a.m. to 4:30 p.m. by Walsh College of Accountancy and Business Administration in Troy. For further information, call the college at 689-8282.

• UNION CHALLENGE

Tuesday, June 21 — "Meeting a Union Challenge" breakfast seminar will be offered by the Council on Small Enterprises. The seminar will be 8-10 a.m. at Roma's of Bloomfield. Registration is \$10 for non-members of the Oakland County Chamber of Commerce, \$5 for members. For reservations or further information, write the chamber at 10 W. Huron, Suite 315, Pontiac 48058.

• SMALL OFFICES

Wednesday, June 22 — "Internal Controls for the Small Office" will examine establishment and review of effective internal control systems in organizations too small to support the formal structures of large organizations. The course will be offered from 8:45 a.m. to 4:30 p.m. by Walsh College of Accountancy and Business Administration in Troy. For further information, call the college at 689-8282.

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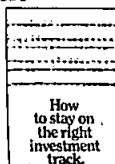
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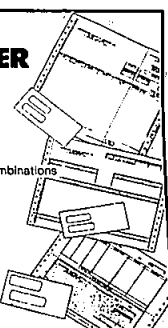
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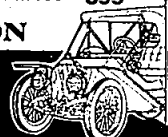
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