Business Extra

Inside

SALES

A look ahead...

Christmas is still two months away, but retailers are already wondering whether the holiday spirit will help revive consumer confidence and brighten a lackluster sales year. Page 3.

...through the glass

Those show-stopping department store windows that force you to pause and gasp at their exciting contents don't happen by accident. Page 2.

SUCCESS

Dreams come true

In the life of nearly every American boy, there comes a hot summer night when he dreams big. Sitting, perhaps, on a dark front porch with his closest friends, he says aloud what HE would do if he had all the money in the world.

A billion-zillion dollars at the very least. Page 4.

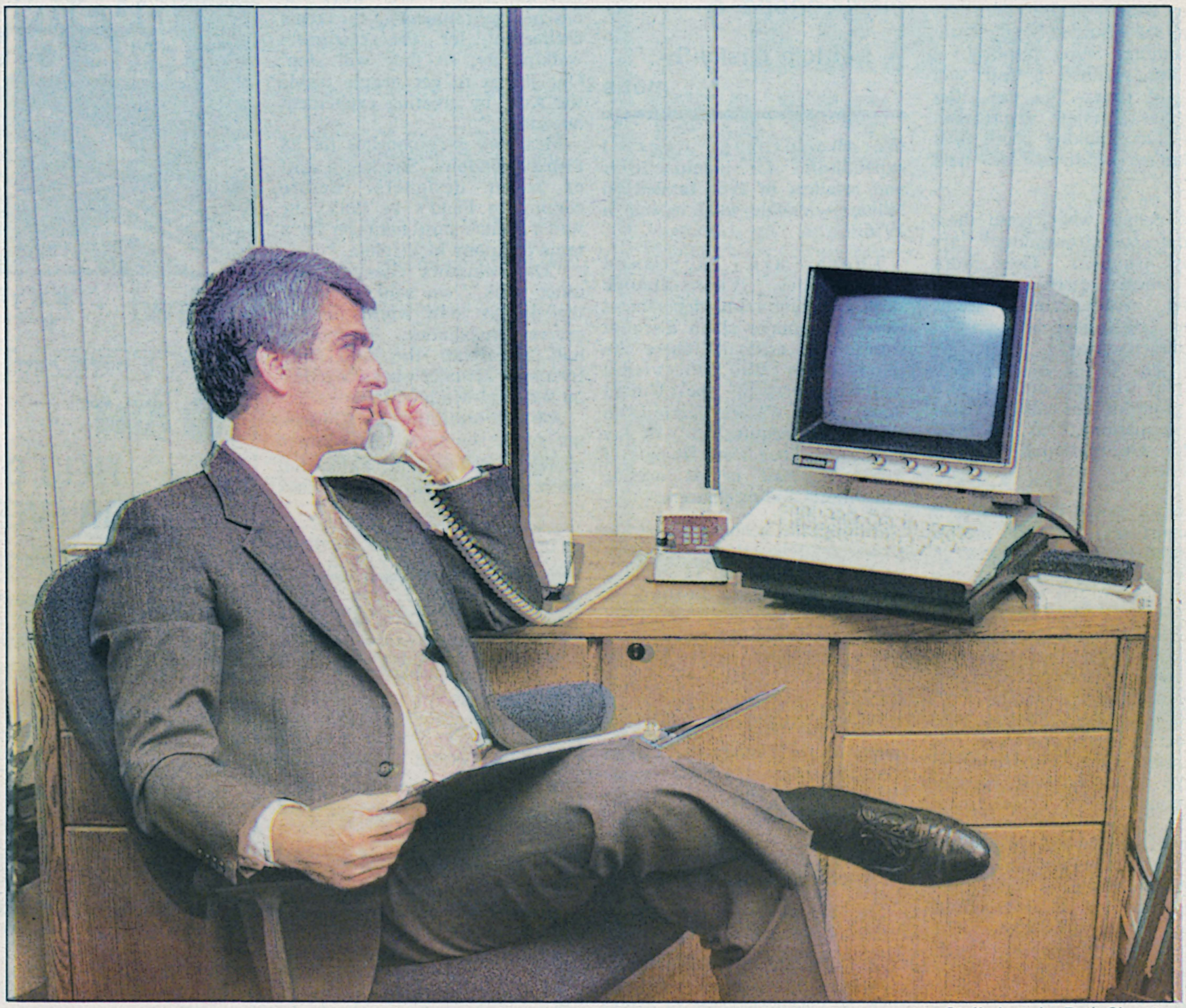
Florida's wealthy

Florida has the nation's fifth-highest concentration of wealthy residents, including new billionaire Ted Arison, Forbes Magazine reported in its annual list of the richest Americans. Page 5.

DEVELOPMENT

Two years ago, when Trammel Crow, the nation's largest commercial builder, set out to conquer the retirement housing industry, competitors expected nothing less than a full-scale assault.

But in the two years it took Crow Co. to build its first retirement living complex, the developer had to toss its cookie cutters out the window. Page 8.



Staff photo by Ruth Cincotta

Analysts and brokers everywhere are carefully charting their next moves. In Boca Raton, Art Ally, branch manager of Shearson Lehman Brothers' Boca Raton operation, looks to portfolio planning as a hedge against the bear

Bear facts

Bull market now a different kind of animal

By Bob E. Golden
Business Writer

The stockmarket has taken investors on an erratic roller coaster ride over the past few weeks, sometimes plummeting 90 points on the Dow Jones Industrial Average, sending chills up investors' spines.

Is the great bull market of the past five years thundering on a collision course with impending inflation?

Stockbrokers and securities analysts offer an impressive array of well-constructed scenarios to explain the reasons for a volatile stock market over the last few weeks.

They argue their cases so persuasively it is difficult to tell who is right.

Some of the experts insist that the recent 10 to 15 percent decline in the Dow is a normal market correction, while others blame eroding stock prices on the federal budget and balance of trade deficits, the hike in interest rates, the weak dollar and fears of impending inflation.

A Boca Raton stockbroker goes so far as to blame much of Wall Street's woes on "big businesses' fast-buck attitude."

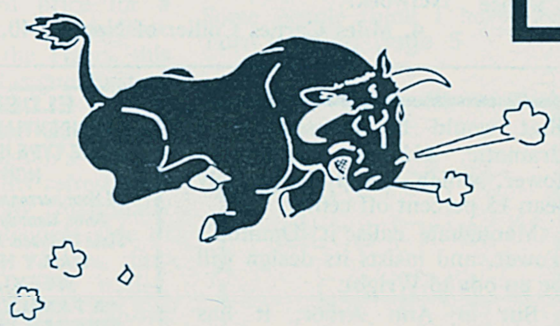
"The giant companies have shortchanged the American investment public and have caused unrest and uncertainty," says Ken Brown, president of K. W. Brown Investments. "By using short-range profit planning, expanding overseas with their eye on cheap labor markets, they have not reinvested their huge earnings runup in the United States."

Brown cites giant General Motors as an example, saying the automaker raised its prices by 15 to 20 percent instead of

Turn to Market page 6

Cover story

What goes up.... must come down?



Market

From page 1
keeping pace with the decline of the dollar in the United States and abroad.

"They passed off their foreign exchange gains in terms of higher prices," says Brown. "This left them very short in sales and with heavy inventories of 38 percent of 1987 and 1988 models.

Brown says the nation's economy is in a recession because four major sectors of the economy are showing poor performance. Auto sales are off better that 30 percent, housing starts are down 10 percent compared to a year ago, the money supply is short some $100 billion over the ratio of growth for the previous six years, and durable goods sales are down about 80 percent on an annualized basis.

But Brown is still bullish on the stock market, mainly due to the reinstatement of the revised Gramm-Rudman Bill, which he believes will result in a balanced federal budget by 1993. The law had been deemed unconstitutional by the U.S. Supreme Court earlier this year because it took control of the budget away from Congress and gave it to the executive branch.

With the nation's purse strings back in the hands of Capitol Hill, Brown believes that major slashes in government spending will cause more investor money to flow into the stock market.

"Gramm-Rudman means the government will spend less and borrow less through government bonds," explains Brown. "There should be around an additional $50 billion flowing into the private sector this year."

Because the government will be selling less bonds there will be more money available and a superboom in the economy should begin in January, having a strong effect on auto sales and durable goods by late spring, says Brown.

Jeffrey Lieungh, a stockbroker at the Boca Raton branch of Drexel Burnham Lambert Inc., says that the 10 to 15 percent market correction is very healthy for the market because it has created some bargains among blue chip listings. He says IBM at around $145 per share and General Electric in the upper $50 range are excellent values, compared to previous highs this year of $175 and $66, respectively.

Lieungh is convinced that now is the time for long-term investors who can hold on for two to three years to buy blue chip stock at bargain prices. But in-and-out traders are getting chopped up, says Lieungh.

"What's leading the market down is the trade deficit," says Lieungh.

Last week the United States reported an unexpected high $15.6 billion trade deficit.

"No one has any real conviction in the stock market because they think inflation may be just around the corner," says Lieungh. "No one really knows when the market will turn up. The falling dollar produces higher interest rates that could result in inflation. People are panicking, but there's no reason for it."

As for the Gramm-Rudman Bill, Lieungh says he does not see it as the panacea for our nation's economic woes.

"I've got to see it to believe it," says Lieungh. "Congress hasn't done its job for the last eight years and I'm not sure how effectively they'll implement the law. They have to take more responsibility — instead, they don't do a thing."

A security analyst at J.W. Charles-Bush Securities Inc. in Boca Raton says the short-term outlook is for lots of volatility in the market — with 90-point swings not uncommon.

"But 90 points on a percentage basis today is about what a 10 point swing was a few years ago when the Dow was much lower," says Olha Holoyda.

She blames inflationary fears, high interest rates, the weak dollar, budget and trade deficits and higher interst rates for the sagging market.

"There's a general nervousness among investors because the hike in the prime rate had a real impact," says Holoyda. "However, I will say that this is not the end of the world; it's just a temporary market correction.

Holoyda says that the market should level off as the country gets closer to the presidential election.

"I can't explain why this happens," says Holoyda. "But we recently completed a study that shows there's a real pattern over the years that has developed where the market levels off near election time."

Art Ally, branch manager of Shearson Lehman Brothers' Boca Raton operation, says that his office is heavily entrenched in financial planning as it relates to investment portfolios. Because the investment programs there are in all aspects of the market place, diversification insulates their investors, says Ally.

"We're not an aggressive kamikaze-type of trading house here," says Ally. "When the market is in the dumper, we don't die."

The same monetary concerns are echoed by Bruce Beardsley, research analysts at Shearson Lehman's New York corporate headquarters. He says that over the next two to three months the market will be on the downside.

"Once the perception grows that interest rates are peaking out, the stock market should start moving up again," says Beardsley. "But blue chip growth stocks that led the advance over the years are no longer on the bargain counter. They've had terrific runs and are not undervalued anymore."

Beardsley adds that there are still some bargains among selected regional banks and selected diversified companies.

Bob Prechter, editor of the Elliott Wave Theorist, a market newsletter published in Gainesville, Ga., and read by thousands of stockbrokers around the country, says most of the outside market events have no effect on the stock market.

"There's been bad economic news coming steadily for the last three years, yet the market remained bullish," says Prechter. "When the Ivan Boesky scandal broke a lot of people said it would be a death knell, because of revelations about market manipulation on inside information. But it had no appreciable effect on the market's long advance."

Prechter, who charts the market by employing the Elliott Wave Theory, a technique of cataloging and describing reoccurring market patterns, insists that the market has a life of its own and has psychological swings from "pessimism to optimism, and back again, in a natural pattern."

"It's in the nature of human beings not to be satisfied with the status quo," says Prechter. "Optimism can be carried too far and then the momentum swings the other way. After three years of increasing optimism, everyone began getting worried that it couldn't go on forever, and the acceleration in the upward cycle faltered."

Prechter believes that market patterns constantly repeat themselves.

"History always repeats itself because human nature doesn't change."

Cover story

Staff photo by David Becker

Charles and Kelly Leff (left) and Hy Sisserman, all of Boca Raton, keep a watchful eye on their stocks in the viewing room of J.W. Charles-Bush Securities

Bear-market investors don't have to hibernate

By Bill Sing
Los Angeles Times

Worried about the market's wild gyrations? Want to protect your stock profits?

"The most important thing is not how much money you make in a bull market but how much you avoid losing in a bear market," said Charles Allmon, editor of Growth Stock Outlook, a newsletter published in Chevy Chase, Md.

No one knows for sure whether the bear market has started. But here are some tips on how you can protect yourself in case it has, while allowing yourself room to make more money if the bull is still alive:

■ Enter stop-loss orders. Tell your broker to have your stock sold if it falls to a certain price below its current level. Such stop-loss orders are allowed for shares on the New York and American stock exchanges but not allowed for over-the-counter issues.

There is one disadvantage, however: Your stock could hit the stop-loss price only to rebound and shoot back up again. So make sure that the stop-loss price is sufficiently below the current price to allow for short-term swings. Some experts suggest setting your stop-loss at 10 percent below the current price for relatively stable stocks and at 15 percent or 20 percent below for more volatile issues.

■ Buy put options. This gives you the right to sell your stock at a particular price within a particular period, locking in your profit. For example, if you own 100 shares of a stock selling at $100, you could buy a put on those shares that will give you the right to sell them at $100 anytime during the next three months.

Thus, if the price closes below $100 at or before the expiration date, you could exercise the option and sell the shares at $100. Your only loss is the commissions and the cost of the premium you paid for the option, which in this example could run between $1 and $10 a share, depending on the stock's volatility and dividend.

■ Sell gradually. Sell a set portion of your portfolio each month, being careful to minimize commission costs. Or sell a portion each time the stock moves up or down by 5 percent or 10 percent.

Usually in a bear market, stocks don't go straight down; instead, prices tend to zigzag.

Of course, if you think a collapse is imminent and you don't mind paying capital gains taxes on all of your profit, you can sell everything at once. In a real bear market, you may not want to be in stocks at all. Generally, 95 percent of all stocks go down in a bear market.

■ Sell stocks that are overvalued or that could do poorly in a downturn. Elaine M. Garzarelli, director of sector analysis for Shearson Lehman Bros., suggests getting out of stocks in cyclical industries such as paper, aluminum, computers and drugs.

■ Sell short. This is one of the best ways to profit from declining stock prices, yet it is often under-used. "It's a great strategy, but a lot of people don't do it because (they think) it's un-American," said analyst Garzarelli, who is shorting a number of stocks in her own portfolio.

In selling short, you in effect borrow stock at the current price and promise to buy it at some later date, hoping that the price will be lower so you will make a profit. However, if the price is higher, you lose money.

How can you protect yourself from large losses in short selling? One way is to tell your broker to automatically "cover" your short sale if the stock goes up a certain amount, say 5 percent. That means that you will buy the stock if the price goes 5 percent higher, in effect limiting your loss to 5 percent plus commissions even if the stock later rises more than that.

■ Invest in ignored and undervalued stocks. The theory is that since these issues haven't risen as much as others in the bull market, they won't decline as much in a bear market.

Monte Gordon, director of research for Dreyfus Corp., a mutual fund company based in New York, says utility, insurance, food, tobacco and bank stocks are undervalued and may do better in a bear market.

Geraldine Weiss, editor and publisher of Investment Quality Trends, a San Diego-based newsletter, suggests eventually selling about half of your portfolio and using the funds to buy undervalued stocks in such industries as utilities, banking and hospital supplies.

Unless you are aggressive and bullish about the market, avoid the blue-chip issues of the Dow Jones average of 30 industrial stocks. They have risen the most in the current bull market but stand to fall the most once the bear market starts, says Robert R. Prechter, editor of the Elliott Wave Theorist.

■ Buy high-dividend paying stocks. Some utility stocks are paying dividends at the rate of 8.9 percent of the stock price, Shearson's Garzarelli said. And utilities won't do as poorly in bear markets, she said.

■ Invest in companies with low debt. They generally are better equipped to ride out a recession or rising interest rates, newsletter editor Allmon says.

Alternative Investments:

■ Consider shifting money into bonds, certificates of deposit or other fixed-income investments. Yields on bonds have risen dramatically in recent months, making them increasingly attractive relative to stocks, says Richard H. Fontaine, president of the T. Rowe Price Capital Appreciation Fund.

But be careful with long-term bonds and long-term bond mutual funds. While they yield more, their principal value, or price, fluctuates more than short-term issues for a given change in interest rates. Conservative investors should stick to shorter maturities, Fontaine said.

One example of a good buy is four-year Treasury notes, which sold at auction earlier this week at a yield of 9.24 percent, up from 7.89 percent at the last comparable auction June 24. Because of their relatively shorter maturity, such issues have far less capital risk than 30-year Treasury bonds, which yield about 9.8 percent.