Greed Instincts Cooling

Period Of Large, Easy Profits For Investors Held On Way Out

By ROBERT LANDAUER
Financial Editor, The Oregonian

Investors' greed instincts, fueled by the speculative markets of 1967 and 1968, have cooled and should remain that way after emerging from the stock market crucible of 1970, Reid Dennis, president of American Express Investment Management Co. (AEIMCO), said Wednesday in Portland.

Top man in an organization that supervises $640 million in six American Express mutual funds, Dennis is one of many investment industry figures appealing to mutual fund and stock buyers to have a higher quality bias than they have had in the recent past.

To reinforce his appeal, the 44-year-old executive adds another filip of caution: "We feel the easiest period of making money in the stock market is past."

His observations, he recognizes, may shock those still bruised by the stock markets' tough tumble last year.

Nevertheless, his point is clear: Investor activity in the churning markets of the Vietnam war period have been characterized by two instincts, greed and fear, which have worked against sound investment practice.

Greed, anxiety for 40-50 per cent annual gains in speculative stocks, prevailed during most of the inflationary period he pointed out.

"Then last summer, when there were very many high quality stocks selling at reasonable multiples of forseeable earnings, fear became the dominant emotion."

These stocks have all experienced very good snapbacks in value, he continued, but thousands of investors who attended to emotion rather than to

REID W. DENNIS

reason missed the chance to ride back with the resurgence of the quality issues.

Dennis agrees that most sermons from mutual fund executives are suspect these days, that their 1970 performance undercuts their credibility. But he contends that the critical appraisal should be applied selectively rather than universally.

Three of his five domestic mutual funds — American Express Income, American Express Investors and American Express Stock — had positve performance during 1970, up 6.5, 4.3 and 2.8 per cent respectively. This placed them among the one-third of U.S. funds that increased in net asset value.

Two of his funds, American Express Capital and American Express Special, take greater than normal risks to get long-term appreciation and were down 18.1 and 3.6 per cent for the year.

But all five funds increased 24 to 30 per cent in value during the last half of the year, he added.

"Nobody's really happy about their results last year, but I don't think you'll find total group performance that's better among the big fund competitors."

Dennis states some measure of consumer confidence is returning to the markets. "Sales reached their low in October, and now they're beginning to pick up some steam."

His advice to the investor who wants to miss the wildest part of market gyrations is to "look for 10 to 15 per cent gains in good quality stocks.

"There will always be successful speculation, but the period of an unusually high percentage of successful speculations is behind us."

Dennis contends that if the Nixon administration is going to win its battle against inflation, investors must also temper their expectations from those of recent years past.

Good Year Seen

But he adds: "1971 will be a good year for reasonable people doing reasonable things to make a reasonable amount of money."

For American Express mutual funds, this course has meant investing in interest-rate-sensitive industries such as banking, finance, utilities and building for the past six months.

"Now if you want to look for strength in the economy, you have to look toward the consumer. We're still investing in building and appliances which are helped by the lower interest rates, but we're also concentrating in automobiles, textiles, fibers and the merchandising stocks."

Bethlehem's Profits Cut

BETHLEHEM, Pa. (AP) — Bethlehem Steel Corp., the nation's second largest steelmaker, officially reported Wednesday a 42.5 per cent decline in earnings during 1970 and announced a one-third cut in its quarterly dividend.

The report follows a preliminary earnings statement two weeks ago, which was apparently prompted by White House displeasure over the steelmaker's announcement of a 12 per cent rise in prices for steel used in construction and shipbuilding. Bethlehem later rescinded a portion of this in-

Hardware Men Select Officers

Robert S. Allen, Seattle retail hardware merchant, was elected president of the Pacific Northwest Hardware & Implement Association at the conclusion of the association's 67th annual convention in Portland Tuesday.

Other officers named were J. Malcolm Smith, Portland, ex-