

Changing Economy May Extend Market Decline, Brokers Told

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The U.S. economy is in a period of change, and there are no apparent reasons for the stock market to reverse its recent downward trend, in the opinion of the manager of a group of mutual funds based in San Francisco.

That was the report delivered to a group of Northwest investment brokers at Portland's Arlington club this week by Reid W. Dennis, president of American Express Investment Management Co. and the Commonwealth group of mutual funds, based in San Francisco.

Dennis listed three basic reasons the U.S. economy is in a period of change.

FIRST, he said, is the change in administration in the nation's capital, with "new people and new policies, which will require new thinking."

Also, Dennis said, a change is occurring in the Vietnam war, with the almost certain prospect that it will become "their war" rather than "our war" in the foreseeable future.

Finally, he said, there is a change in consumers' attitudes toward inflation, a curbing of "this headlong rush" toward price buying on the theory that "we'd better buy it now because it will cost more later."



REID DENNIS

... Overseas interest

DENNIS said he views these changes as a major cause of the recent "quite sharp" declines in the stock market.

"We can see no reason why 1969 should bring a strong cyclical upturn," the mutual fund president added, explaining that he was referring to cyclical industries.

"Rather than figure which groups or stocks you want to be in this year, we feel it's more important to figure which groups or stocks you want to be out of," he reported, speaking for the analysts and managers of the four Commonwealth funds for

which American Express Investment Management Co. serves as manager and distributor.

DENNIS, who returned recently from a trip to the Middle East, said his firm is preparing to launch a new "offshore" mutual fund which will be sold only to non-U.S. citizens.

At the outset American Express International Fund will be sold primarily in Europe to take advantage of what Dennis called "tremendous interest overseas in buying U.S. mutual funds."

He said the new fund will be mostly in the form of shares payable to the bearer, redeemable in any American Express banking offices.

ROBERT S. BURKHOLDER, regional vice president of AEIMCO, told the brokers that sales of Commonwealth funds last year increased 63 per cent from 1967 volume, in contrast to a gain of 46 per cent for the entire mutual fund industry.

In the Pacific Northwest, Burkholder said, sales of funds managed by AEIMCO went from \$3.5 million in 1967 to more than \$7.5 million last year.

Total sales of Commonwealth funds in January this year exceeded \$17 million, an all-time high for any month, Burkholder reported.