Dow Lowest Since January

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From Staff and Wire Dispatches

The New York and American stock exchanges took steps last week renewing the possibility that the nation's two principal securities marketplaces would possibly merge. The governing boards of the two exchanges each appointed three-member committees that said they would study whether merger or affiliation would be in the best interests of their members as well as investors. But while the NYSE-ASE consolidators talked possible combinations, prices of stocks on both exchanges crumbled to the point where if last week's closing on the Amex's market value index (80.98, down 1.60 for the week) were added to the Dow Jones average of 30 Big Board industrial stocks (951.30, off 27.51 for the week), the total (1032.34) would have been barely sufficient to bring the Dow past its previous all-time high of 1051.70 which was set Jan. 11, 1973.

Ironically, on Sept. 21, just 13 trading sessions before Friday's plunge to an eight-month low on the DJIA, the blue-chip average set a new recovery high of 1014.79. Eleven of the 13 subsequent sessions were losers, with the Dow plunging 62.41 points during the spill. Friday's close was the Dow's lowest level since Jan. 28, when it closed at 951.35.

The accompanying table (see Page 7) of the biggest NYSE losers in total market value between Sept. 21 and Oct. 6 shows that blue chips and glamours were both amply represented on the list of casualties. (The Dow sank to a four-month low of 930.69 on Oct. 6, rallied 5.49 the following session and then plunged 12.71 on Friday.) The few stocks that scored significant gains in market value during the Sept. 21-Oct. 6 portion of the selloff included an unusual number of energy providers (seven oil stocks and one coal issue among the top 40 NYSE winners in market value gained) and energy users (11 electric and gas utilities among the top 40 NYSE market value winners).

The news background was such that Wall Streeters could have been pardoned last week if they would have thought the movie "The Bad News Bears" from earlier this year was about the stock market and not Little League baseball.

Fears that "stagflation" would again prevail triggered much of the selling.

Treasury Secretary William Simon predicted the U.S. economic expansion will moderate next year. He said continuation of a 6 to 7 percent growth rate would overheat the economy.

The wholesale price index jumped .9 percent in September (see chart, Page 5) and Venezuela and the United Arab Emirates said they would press for an increase in world oil prices at the next meeting of the Organization of Petroleum Exporting Countries in December.

The 80 Industry Groups

	Up	Down	Unchg.
5 Trading Days	6	64	1
30 Trading Days	30	30	0
80 Trading Days	30	30	0

Adding to Wall Street's worries over the price outlook, an official of the International Energy Agency predicted the OPEC cartel will agree to boost prices by between 10 and 15 percent at the December gathering.

A survey of purchasing agents found the general U.S. business climate satisfactory but below expectations.

Fred D. Kalkstein of Hugh Johnson & Co. said, "Due to the sluggish pace of the economy, third quarter earnings comparisons for many companies may not live up to expectations."

Larry Wachtel of Bache Halsey Stuart agreed. "The economy is sluggish, low key and beginning to eat into corporate profits, which are the lifeblood of the stock market."

The New York Stock Exchange composite index retreated .65 to 54.85 during the week while the Dow Jones Transportation average skidded 5.54 to 200.56. The Dow utilities, however, held onto a gain of .42 to 96.16. The NASDAQ composite of over-the-counter stocks dipped 1.06 to 99.38.

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The M/G market value index softened 1.74 to 102.70 during the week while the M/G equal investment index surrendered 13 to 819.

Some positive economic developments hardly made a dent in the selling on Wall Street.

Ford Motor and the United Auto Workers announced a tentative labor agreement and sales of the major retail chains for September were up substantially over a year ago.

The unemployment rate declined slightly to 7.8 percent in September, although the number of persons holding jobs slipped for the first time since June.

Late in the week the federal funds rate dipped slightly below 5 percent, a possible sign of an easier Federal Reserve monetary policy. The narrowly defined money supply and the more broadly defined monetary aggregates both declined in the most recent week, also a signal that the Fed would be able to ease the reins.

The only group to show any energy during the week was the petroleum sector. Superior Oil jumped 7 to 229 last week, Getty climbed 4 to 192¼, Mitchell Energy 6⅝ to 41⅞, Houston Oil 2 to 70⅛, Barnwell Industries 2¼ to 9⅝, Southern Union Production 1⅛ to 35½, Gray Tools 3¾ to 82½ and Shell Oil 1⅞ to 76⅝.

Exxon said it was discussing a plan with Standard Oil of Ohio to move North Slope oil from Los Angeles to Texas for ultimate distribution elsewhere in the United States. Exxon eased ⅜ to 54⅛ during the week while Sohio advance 1⅝ to 75⅝.

The Justice Department said recently it would not oppose General Electric's planned acquisition of coal producer Utah International. GE sagged ⅞ to 52½ last week while Utah International rallied 4¼ to 63¾.

Chemical stocks failed to come up with a winning formula during the week. The Federal Trade Commission said it was investigating Union Carbide, but the purpose of the inquiry wasn't revealed. Carbide fell 3⅝ to 59.

Monsanto said it will close its PCB manufacturing division by Oct. 31, 1977. PCBs are believed to be cancer-causing agents. In addition the firm said the devaluation of the Mexican peso is expected to impair its earnings for the full year by about 27 cents a share. The company anticipates third quarter net in the range of $1.55 to $1.60 a share vs. $1.56 a year ago. Monsanto dipped 4½ to 82 last week.

Allied Chemical, which was fined $13 million for pollution violations, gave up 1½ to 38½.

Dow Chemical said it expects third quarter earnings to be 85 to 90 cents a share compared with $1.16 a year ago. Dow sagged 3 to 40⅝ last week.

Metals (see article by George McManus, Page 1) ran into stiff resistance. U.S. Steel fell 2 to 47 during the week, Kaiser Steel 2 to 33½, National Steel 3 to 42¾ and Bethlehem Steel 1½ to 37¾.

Earnings estimates of aluminum companies were trimmed by an analyst and Alcoa sank 5¼ to 53⅞ while Alcan fell 2⅛ to 23⅛, and Reynolds metals 2¾ to 38½.

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