

Wall Street Week with Louis Rukeyser; 1707; Templeton on the Five Year Bull Market

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- Transcript

Wall Street Week With Louis Rukeyser brought to you by a public television stations by Hansen attend baby and daughter transatlantic company with 23 consecutive years of growth in earnings and dividends by providing essential goods and services for eventual Bates securities. The investment firm with rock solid resources and market wise thinking he had the business of making money and by primary the new name in financial services and specialty retailing a company with the resources to fund the growth for tomorrow primary got a name to remember. Produce Friday Jan. 1. Our panelists are Frank Caprio Monte Gordon Carter Randall and Martin's wine. That I have and I'm Louis Rukeyser This is Wall Street Week. Welcome back. Well tonight's the night when we dress up as undertakers and bury our panelists predictions for the year just passed and about time too. Some of those

predictions have begun to smell a bit lately. Before the merciless internment starts though let it be noted that 1987 was a year that fooled absolutely everyone. A manic depressive of a year whose violent mood swings left it at the end of its term in almost exactly the same strait jacket in which it began. For most of the year the bulls was snorting deliriously the Dow Jones Industrial Average which before 1987 had never touched 2000 broke one century mark after another before peaking in August at twenty seven twenty two then a little technical correction set in a trifling thousand points more than half of them in a single bleak day in October. In that one violent week alone more stocks changed hands than were traded in any entire year before 1967. But just when the barriers were gradually unhappily for the first time in more than five years telling us that while

they may have missed the biggest bull market of our lifetimes at least they didn't have you in the market for another 1929. Stocks perversely steadied the Dow never again closed as low as it did on Black Monday October 19th. The three weeks before Christmas turned out to be the best in terms of points gained in the entire history of the index and even a disappointing pre-New Year's swoon couldn't keep the Dow from actually ending up for the year. The result scarcely anticipated by all the hysterical headlines about panic and crash but a really wonderful year not quite Suzanna the worst pain oddly may have been felt not by individual investors who for the most part were notably more patient and mature than the TV commentators but by the firms that handled their business for a year when the volume of trading broke every record in sight. The company is once known as commission houses ironically sustained terrible losses

followed by massive layoffs and the dumping of many of their operations. A more humble industry might have concluded that it was high time to stop some of the fancy new games in and outside the trading rooms and get back to servicing their retail customers. But I'd like to buy a put on the chances of that happening. Meanwhile though neither football nor sex proved an infallible guide to 1987 according to the Super Bowl indicator the victory of a team from the old NFL the New York Giants should have meant an up year for stocks that worked if you count the Dow and the Standard Poor's 500. But not if you track as some aficionados of this theory do. The New York Stock Exchange composite call it a first down but not a touchdown. Similarly the advent of shorter skirts is supposedly a harbinger of rising stocks to produced only mixed results. Well above the ankle but well short of joyful indecency though no one would have guessed it

along the heart stopping way the correct indicator for the overall financial results in 1987 would have been a yawn. But before we look both back and ahead not just at the markets but the economy in which they operate. Let's let our panelists sweat for one more minute while we examine the results for the week just passed. And as the Dow Jones Industrial Average indicates the chagrin the so-called experts were wrong again the consensus was that we'd have techs selling in early December followed by a year end rally. Instead stocks rallied steeply before Christmas and then ended the year not with a bang but with a whimper. Down 61 points to one thousand thirty eight point eighty three. And there was nothing to excite the New Year's baby in the broader market indexes either. Our elves whose technical market index has insisted since the crash that it was a great time to pick up stocks have subsided for the past two weeks to a still bullish plus three weeks drab

economic reports failed to entranced the precious metals market. Gold was up a hair silver down but the on Dow the loser and the source of many of the stock market's jitters was the U.S. dollar which ended the week and the year down and dirty against all the world's major currencies. But while you're wondering what it will be like to live in a banana republic consider the eating advice offered this week by a Manhattan marketing analyst called I kid you not Faith Popcorn. Heavier foods like meatballs and mashed potatoes will be in an 1980 projects and so not entirely coincidental you will have your women and she's with us. They go on while I send out for some French fries. Why don't you tell us when the banquet is likely to resume in Wall Street. Oh I think the banquet will probably take some time before it gets underway again. I think they'll be a lot of skepticism a lot of doubt around because there's a recognition that a lot of problems emerge in 1987 which is probably the reason why we had the kind of action we did I think in a very real

sense reality caught up with the dreams and we had to give back what we had earned in the early part of the year because the market simply become increasingly vulnerable on the strength of what was happening under way. I think the year 1988 will demand more political will and more political spying than we've seen so far but I think there's a really good chance that if that does happen pressured by the series of events that would go on that we could have a reasonably good year. I kept yellow soggy end of the year does that worry you. You know and you're right they did flip flop from what was expected we thought we'd have a strong finish and instead we had a weak finish we had a

strong early December. But I look for January to be a pretty good month I think you'll get new money coming in. People have new perspective on how cheap stocks are and I take them or what's going to give us what you're expecting. Well for one thing once we stabilize the dollar and I think we will I mean it once when e yen to the dollar and 122 now

you should attract some Japanese and British buying because if you look at our stock market it's really half as cheap as theirs. Well if you're a foreign investor Japanese or otherwise and you see the stock market down in recent months and the currency down still here don't you feel it's a double whammy would you invest in America. Oh it's a double double whammy Lou don't forget you know the market has discounted an awful lot. We've been through in a couple of weeks what normally would take a year in any ordinary market. So when you get a drop of 22 percent in one day you get a drop of 36 percent in about six weeks. You're really discounting not only a bad occurring bad currency or bad economy you're discounting a lot of forever and that's already been done in the market. I never discount card around oh what do you what do you make of the way the market end of the year. Well I think there was some last minute selling Lou and the volume was not heavy on the downside either. It was tax relief some tax selling but last minute adjusting for whatever reason taxes and otherwise I think we're going to have a

good market in January I really do. And I think it's strictly because the market is undervalued relative to what it's worth. You know money has value and there are two ways of measuring it either by capitalization of earnings or by interest rates and I think your earnings can be kept higher than they are now. Earlier this year when the market was soaring you told us it was overvalued What do you think would be fair value now. I put fair value in the middle 20 100s. Now I'm not predicting we're going to get there. We'll get to that in a little later. Yeah. Does the market ever really a true fair value. Yes it gets to fair value and that it goes through it one way or another always overdoes itself while the passively on the upside is on point. I think so and hope so. Why does why is the only one here who remember that fatal word crash before it actually occurred. What do you make of where we are at the start of 1998. I think we're going to rally for a while. My indicators are pretty decent right now. There's a lot of

pessimism around there's a lot of cash in the market usually does well in January and I think that we've had an awful lot of tax selling recently which is depress the market artificially and we should get a rebound from there. You say the market usually does well in January I thought it was a January indicator that told you whether you're going to go up or down for the year. Well Yale Hirsch came up with that idea. It tends to work more often than not but I'm just talking about January itself. There's been a lot of studies done in actually the January effect as it's called really comes from the first six or seven days of January which tend to be seasonally strong doesn't always work though. So there's no guarantee I mean you won't back us up if we go in the open the Monday morning and get out of the sect. I don't I always worry you know me anyway the first day of the year I never know which way it's going. If I had to bet I'd say January will be in a month. Already you know this is the point the program when we normally pause to answer a round of viewer questions. And I thought we're going

to use that time to ask our panelists the biggest question of all where are you putting your money right now. But next week we'll be back to business as usual so on the off

chance that your every financial need has not been met by them tonight. Drop us a line at Wall Street Week Owings Mills Maryland 2 1 1 1 7. That's Wall Street Week always Mills Maryland 2 1 1 1 7. Now before we look ahead let's see where we've been as we reviewed 12 months that saw the Dow managed to finish ahead for the sixth straight year the first time that's ever been accomplished. The S&P squeaked through two with the New York Stock Exchange composite failing by a mere third of a point. But the energy heavy American exchange suffered from weak oil prices and the broader Nasdaq over-the-counter index just plane suffered. Suffering is something precious metals holders have learned a lot about in this decade. But this year they had reason to smile. With gold up by 20 percent and silver even better but things just got worse and worse for the U.S. dollar for the third straight year as a trade deficit failed to disappear despite a Washington led assault on the dollar's value. That by

year's end was finally scaring even Washington. Meanwhile amid the tumult on Wall Street the nation's economy moved at something between a limp and a gallop into a record sixth year peacetime expansion going into the fourth quarter whose results have yet to be reported. The U.S. real gross national product. Total output with inflation ball of the way had advanced three point two percent in the previous 12 months. Higher prices for many basic commodities sent a whiff of inflation through the economy as did the after effects of the rapid monetary growth that occurred in 1986. After turning in its lowest numbers since the Beatles first came to America the Consumer Price Index rose 4.5 percent for the 12 months ending this past November its highest rate since 1982. As for unemployment and employment there was good news practically all year long with the unemployment rate slipping below 6 percent for the first time in the

1980s. Meanwhile the ranks of Americans actually holding jobs moved to record highs both in numbers and in percentages. For nearly three years interest rates trended lower in late 1906 and early 1997. The benchmark prime rate dropped to seven and a half percent its lowest in nearly a decade. But last spring it began rising again after the market crash of October however as inflation fears gave way to recession jitters. The prime was lowered a quarter percent to eight and three quarters. Long term rates also started moving up with dramatic spikes in both spring and fall. The yield on 20 year U.S. Treasury bonds has fallen again in recent weeks and now stands just below 9 percent. The U.S. trade deficit continued to cause problems from Wall Street to Main Street in the early months of this past year there was some slight improvement. But when the improvement slackened investors were disappointed and many blame August's poor trade figures for starting the stock market slide.

There hasn't been a trade surplus in the US since April 1976. One hundred thirty seven months and counting for the first 10 months of 1987. The U.S. trade deficit reached nearly one hundred forty six billion dollars a record pace. And what does the Commerce Department so-called index of leading economic indicators show that would slump 1.7 percent in November. In large part because of the

stock market debacle the consensus is that the economy will slow in 1908 but not collapse. Monday Go on which of these numbers of enemy is the one to watch for the markets. All of them a significant little because all of them are interactive and expressive of what the economy is doing. Each one influences the other but the thing that will be most critical in 1988 will be the political will to take action when these frankly as these factors emerge and to act forcefully and directly and incisively in the area of trying to correct what the figures represent particular the trade deficit the budget deficit the risk of inflation

explicitly the problems the economy is facing. You talk about the political will talk about an election year will the comments of the candidates be significant for the market. I think they're going to have to be I think the candidates kicking and screaming and been dragged into the position of recognizing that the outlook for the economy and what happened on October 19th is expressive of problems that they're going to have to address I have to say something concrete for you and not only concrete but intelligent and perceptive. So for a country it's been between the years I think and I kept yelling What do you think what should we look at why I think the thing to look at is Alan Greenspan. But you can't look at him and realize what he's doing. So you have to watch what he's doing and I think interest rates are going to be key interest rates are going to tell us whether Mr. Greenspan is going to defend the dollar or defend the economy. And if interest rates start to move up I think it's going to be hell to pay in the stock market and the economy. Well his is a head that is certainly not filled with concrete what he think's going on inside his head. I think his first priority right now I'd bet would be the domestic economy. He's not going to defend the dollar he's going to let the dollar find whatever stabilization they can

because you just tell us it's going to stabilize I'm going to stabilize of its own accord. Yeah I think we got about. You mean that these politicians always help. The best politician we have his eyes are because he didn't do anything for the economy let alone Colorado What's your view. Well I want to go back to what money you brought up briefly with politics. I do think what but goes on in Washington is going to be important but I think what people perceive is going to go on in Washington starting in 1989 is going to be most important to what the market does because the confidence or lack of confidence of people is what drives the stock market. No question. Election years are usually good years for the market I think. Yes because almost everybody thinks that all the problems are going to be solved by their candidate. And it's not until late in the year that half the people are disillusioned. So if by on the euphoria selling the election I think maybe that's right yes. Not what you're hearing.

Well look at three things right now really one is money supply the growth has been very anemic. If it continues this way we're in trouble. Second would be initial unemployment claims which have started to pick up quite a bit lately which is a sign of economic weakness. But most of all I'd look for deflation and to do that I probably would look at wholesale prices where producer prices are called now. You might want to look at commodity prices but if producer prices really begin to fall off I'd be very wary and I don't like the outlook for the economy at all. Are you predicting a recession. Well

normally not in that game but I think the odds are very high we're going to have a recession or even worse later on. Take us back to what Frank said when that impel advance ban to loosen up a little bit it would that I'm not so sure he will right now I think he's defending the dollar more than the economy at the moment. I think it's not as much as you found it. I hope he's a lot smarter than I am. We're going to need his help I'll tell you that. I already know that. Now comes the moment that some of us have been waiting for the moment of painful truth. As we contrast what really happened in 1987

with what our panelists predicted the results may surprise you. They weren't too bullish. They were too bearish. Not one of our 19 panelists guessed that the Dow would rise as high as twenty seven twenty two. The close us Bill Waters said twenty five seventy five on the lows they were better. Everyone predicted that the Dow would bottom between the sixteen hundreds and the eighteen hundreds. The actual low of 1738 was only 13 points away from Mary Fowles prediction. As for stock picking a tough game in which they have to predict on New Year's Eve and get no chance to rearrange holdings in the following 12 months fully 10 of the 19 lists every average insight and 14 finished ahead of the OTS the best was Beth dater by 20 percent not counting dividends. While bottom of the barrel was Joel Stern our most consistent performer. Alessio was next to last. Beth will be back next week. Goal a little later. And as for these

for my day Gordon you live to fight again. Your stocks were up about 4 percent. Nearly twice to the house before mints anemic good sounds and your predictions of a year that would range between 1790 and 20 to 90 Urd mainly on the upper end which briefly did hit the stratosphere. But you were the most euphoric at least foreign forecast in the closing down of 20 175. But maybe you were using the Chinese counters that way and that's exactly what it was. Frank Cappiello if you hadn't been such a patriotic old Marine you might have won the prize for the low prediction. You said 1776. That was thrilling but it was just a bit too high. You thought we'd get to 23 0 1 at the peak in Europe and close the year at 2010 which wasn't bad. Your stocks though lost 1 percent which was ghastly by anyone to take it to Lake Como. Quite a Randall you got worried too soon. You thought we'd never get above 20 150 in 1987 it was a mere 600 point miscue. Is that we bottom in 1790 and the

2050 your stocks alas according to our friends at your data services finished down by 2 percent. But listen even George Steinbrenner is right all the time. Well he's why yours is the story of the year. You were the most bearish of our panelists a year ago forecasting that the Dow would not even reach 2000 in 1970. Your low prediction was 16 60 at mid year your investment choice for the year and Nov 0 coupon note was the worst performer of all 19. Tonight though it's a gain of five point six percent has the best of this foursome and the slight ninth best overall. Your closing forecast of 1865 wasn't too shabby either. So if we just skip the whole year go from one New Year's to another you're looking pretty good. Already what's past is past where do we go from here. Let's have from each of these for his prediction for the highest close the lowest close and the final close for the Dow Jones Industrial Average in 1908 you ready. Here we go on the high 24 eighty five the low

1765 the close 20 to 50 for an exciting year when near the bottom already. Yeah that's what I figured right. And that's going to be an inside market for 88 neither higher nor lower than 1987 to boast is going to happen. I look for a twenty six ten high 1745 low and I close a twenty one hundred. Very volatile market right on the nose 21. Yes no no fudging quarter though I'm saying a high of twenty four hundred a low of eighteen hundred out of close to 20 to 19. And while the highest 20 to 35 which I look for earlier in the year low 14 40 and a close to 15 85. These are a very tough year roller coaster year and then down again. But one thing is for sure I guarantee it. Some of them will be wrong. But if you would like to see the full protections with specific stock selections for all our panelists including those not here

tonight. All those lists will be included in tonight's transcript. Incidentally two changes on that. Starting from 1988. To be fair to all kinds of investors and investment advisors we're going to base our standings on total return including dividends and interest. And second we've got a brand new in-house set up to assure you get those transcripts much faster than in the past. So if any of all of all of that sounds good to you you can get that special Transcript by sending \$5 to transcripts. Wall Street Week Owings Mills Maryland 2 1 1 1 7. That's transcripts. Wall Street Week or weans Mills Maryland. 2 1 1 1 7. And now let's find out what these four I think are the very best buys for 1998. Here we go. Rowan companies report Mack Moran Henley group Verity. Remember the old Massey Ferguson and Disney Walmart food lion class-A Toys R Us. Hewlett-Packard IBM.

Twentieth Century industries and their old favorite Mark Wright James River Corp. Sears Roebuck Gould incorporated American Express Alberto call for a Washington Post the Bristol-Myers city are just not pristine right flat. IBM duplication Tasco convertible preferred Reuters holdings Carter Hawley Hal and just in case you need some transportation agency rent a car. And he had to get to Disneyland if money is like butter. I have 10 stocks in four different categories three high yielding utility stocks for total return central and southwest Florida progress and Tico three rather Monday but undervalued blue chip stocks. General Mills Sears Roebuck in NC and the three quality growth stocks General Electric IBM and United Technologies one speculative special situation home intensive

care. What is life going to put half the portfolio into a government fund which should be the 8 percent bond of 2001 which now yields about oh I think it's eight point seven percent. And I put 35 percent of the portfolio into a when your government note specifically the six and a quarters of December 88 which are now yielding what seven point three percent. And the remaining 15 percent are going to take one short sale and that is sooner Federal Savings and Loan. It's about a \$20 stock. Basically you don't like stocks for that and I think well I think the market's going to go up for the next few months or so but I think the year is going to be down and we can't change the portfolio so I'm going to take my best shot for the year already. Interest rate going to be down to I think so yes I think we're going to have some with of deflation or worse and I think the bond market will do well and we have to stop Thanks to our panelist to once again be in the wealth eSports. I hope you'll be back with us again next week. I guess that will be a leading Wall Street strategist to what bearish last

August just before stocks turned downhill. Here's John Connelly chairman of the investment policy committee of

Dean Witter. And we'll see whether this ace forecaster has an equally timely call for us now. Meanwhile this has been Wall Street Week. I'm Louis Rukeyser. Goodnight and May 1998 be a very happy year for you and not just through October this time with this report has been brought to you by a public television station by Hanson. A 10 billion dollar transatlantic company with. Three consecutive years of growth in earnings and dividends by providing essential goods and services. Five for venture based security fee investment firm with rock solid resources and market wise thinking in the business of making money and by primary got the new name and financial services and specialty retailing. A company with the resources to fund a growth for tomorrow primary a name to remember for a transcript of this program send five daughters to friends read. Wall Street.

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