

Business

Friday market plummet fails to cause crash panic

By WENDY BOUNDS
Staff Writer

The New York Stock Exchange defied predictions Monday that Friday's panic would lead to a crash similar to the market's 500-point dive in October 1987.

The Dow Jones Industrial Average rose 88.12 points Monday after plummeting 190 points on Friday in response to a failed airline buyout attempt. The average was down 49 points at 10 a.m. Monday, but then gradually rose for the rest of the day.

The market's volume was more than double its usual amount as 419 million shares were traded Monday. In one 90-minute period, almost 200 million shares were traded.

The Dow Jones Industrial average closed at 2657.38 after falling to 2570 last week, the most severe drop since the Black Monday crash on Oct. 19, 1987.

Friday's loss caused traders to speculate the drop would cause panic and widespread selling among investors on Monday.

However, Monday's gradual but significant gain shows that investors and their brokers did a relatively good job in waiting out the crash Monday and not engaging in panic selling, said Jack Lancaster, vice president for FSC Securities Corporation in Raleigh.

"I think investors realize this is an isolated incident which occurred for artificial reasons rather than a deficiency in the economy," Lancaster said.

The loss was attributed to the refusal of major banks to support the pending takeover of UAL Corp., the parent company of United Airlines. The takeover cost was estimated at \$7 billion and is being sponsored by Airline Acquisition Inc. whose members include the Pilot Airline Association, British Airways, and employees of United Airlines.

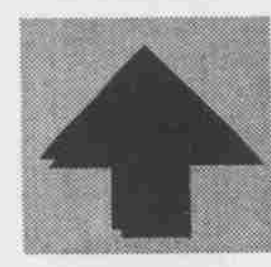
Joe Hopkins, media relations director for UAL, said the buyout was an attempt to place control of United Airlines in the hands of its employees.

"If the takeover is successful, the UAL workers would own 75 percent of the company, British Airways would hold 15 percent, and the management would own 10 percent," Hopkins said.

Failure to secure sufficient backing from banks to purchase UAL Corp. led to a stalemate in takeover procedures and the consequent stock market plunge. Citicorp and Chase Manhattan banks in

Stocks

DOW JONES INDUSTRIAL AVERAGE



2657.38

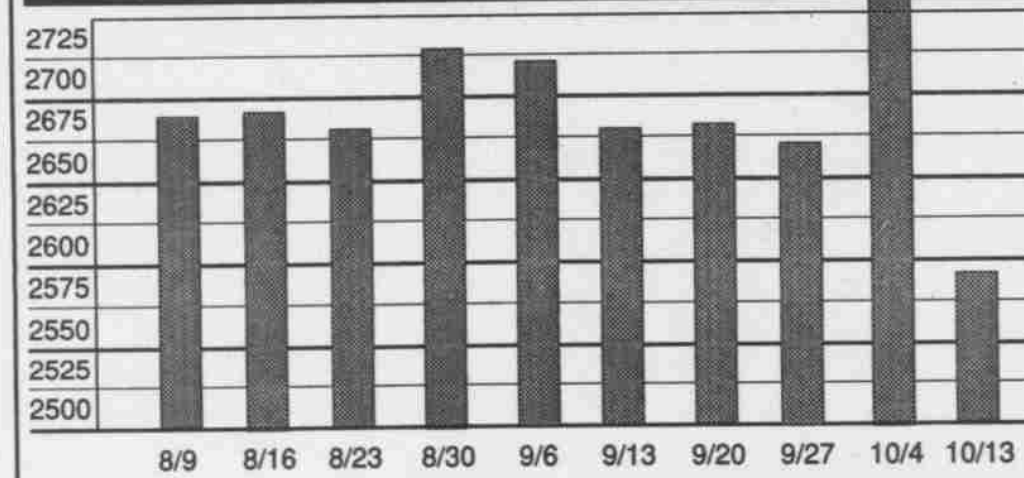
up 88.1

Volume: 419 million shares

NORTH CAROLINA STOCKS

| COMPANY | CLOSE | CHANGE | HIGH | LOW | WK. AGO |
|------------|--------|---------|--------|--------|---------|
| BellSouth | 52 1/2 | + 2 1/4 | 52 5/8 | 48 5/8 | 55 1/4 |
| Duke Power | 51 1/2 | + 3/8 | 51 1/2 | 50 5/8 | 51 1/4 |
| Food Lion | 11 1/4 | - 5/8 | 11 1/2 | 11 | |
| Liggett | 10 7/8 | - | 10 7/8 | 9 7/8 | 12 1/8 |
| NCNB Corp. | 50 1/2 | + 3 | 50 1/2 | 45 3/4 | 51 1/4 |

WEEKLY TREND



DTB Graphic

Source: Edward D. Jones & Co., Chapel Hill

New York planned to supply \$3 billion to the takeover effort, but the rest of the funding fell short. That smorgasbord of money was to come from a large group of other major banks, Hopkins said.

UAL's stock closed at 223 Monday, down 56.75 from Friday. If the price of UAL's stock continues to fall in the upcoming weeks, the takeover could be seriously affected, according to Lancaster.

"We may see some fallout in the market later this week. If UAL continues to fall at this rate in the market, takeover procedures will probably be dampened," Lancaster said.

Friday's crash, compared to the one in 1987, has not caused an equivalent amount of panic because there are more earnings to support the level of trading on the market now, said Alex Mihajlov, assistant branch manager for A.G.

Edwards.

"The difference between '87 and '89 is that the whole market is operating on a relatively cheaper base now," Mihajlov said.

Also, there are a lot of believers in the market and economy, he said. Their faith put a leash on the panic-selling some analysts warned would occur Monday.

"They may have come to the same conclusion I did after the 1987 crash," Mihajlov said. "If everyone is heading out one door, I tend to want to look around now and see what other doors are open."

Read Omnibus on Thursdays

Contest rewards students for success in stock market

By KEVIN GREENE
Staff Writer

UNC-Chapel Hill Investment Club members and thousands of college students across the nation are gearing up for The Second Annual AT&T Collegiate Investment Challenge, which promises a \$25,000 cash prize to the student who increases his portfolio the most.

"The Investment Challenge is an excellent educational opportunity that is extremely realistic, because it gives students a hands-on experience working with the stock market," said Scott Schneiderman, UNC Investment Club president.

The AT&T Collegiate Investment Challenge, scheduled to begin Nov. 1, is a "stock investment simulation," Schneiderman, a senior economics major, said.

Students can sign up at the Investment Club meeting today at 4:30 p.m. in T-7 New Carroll, Schneiderman said. The cost for registration is \$49.95, but members of the club receive a subsidy to minimize the cost.

Schneiderman said people interested should attend today's meeting to join the club and then sign up for the competition.

Once registered, participants receive a package from Wall Street Games Inc., the producers of the game, which includes a Standard & Poor's Stock Guide with information on more than 5,000 publicly traded stocks, a portfolio with an account of \$500,000 in play money, and a toll-free 800 number for direct access to a New York trading desk where "brokers" handle student trades.

The object of the game is for students to try to increase their portfolios by buying, selling and shorting shares, according to Schneiderman.

The winner is the person who has the largest stock portfolio at the end of the four-month competition.

"The trade is made as if in real life," Schneiderman commented. "It is about as realistic to managing a portfolio as you can get."

Trading in the game begins Nov. 1 at 9:30 a.m., when the stock market opens, and ends at the closing bell on Feb. 28, 1990.

At that time, the winners will be determined and notified. The top 10 collegiate finishers and their guests will be flown to the Bahamas for a six-day vacation courtesy of The Bahamas Ministry of Tourism.

While there, they will attend The AT&T Awards Banquet, where they'll split \$61,500 in cash prizes, with the winner receiving a cash award of \$25,000. Also, USA Today will publish the top 10 finishers' names.

Last year's challenge attracted 11,252 participants nationally, including 63 UNC students. Schneiderman said he expected double the number of last year's participants nationwide, while he expected between 50 and 75 UNC students to participate.

Last year's top finisher was Julie McRedmond, a senior from the University of Illinois, who increased her portfolio by 355 percent to nearly \$2.3 million.

Beth Joyner, a junior political science major at UNC, participated in last year's competition and said that it was a good learning experience. "It taught me how to keep up with the stock market."

She said that she bought stable stocks that she thought would increase in a short-term investment. She noted that Hasbro Inc. and United Medical were two of her best investments, while PepsiCo was a disappointment.

"I would recommend this to anyone who wants to know a lot about the stock

market," Joyner added. "It was a very practical learning experience."

David Hanchrow, a senior business major from Montgomery, Ala., said he put his money into stocks that he thought would do well in the short term of four months, which, he added, involves some risk-taking. He said that the trading procedures were simple and that although the competition did involve doing some research daily, it was educational and well worth the time it took.

"Its like playing the real stock market without using real money."

Hanchrow added that he planned to invest heavily in various airline stocks this year. He said students should use the knowledge they acquire in researching and inside information other people may not be aware of.

But Allen Heye, a senior economics major, said the competition was too short-term and difficult. He did not enjoy it because he said four months was simply not enough time to develop a good portfolio.

"It was not worth it."

The top UNC finisher was graduate student Glenn Baird, who increased his portfolio to an account value of \$733,200. The most successful student from North Carolina was Johnathon Strause, a Duke University senior, whose final portfolio account registered \$774,300.

New York University's players put in the best overall showing, while no N.C. schools made the top 10.

Schneiderman said the UNC Investment Club met one or two times monthly and brought in a speaker one night a month. The club is not just geared toward business or economics majors but is open to anyone interested. "The club provides the opportunity to people with similar interests to communicate with one another."

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