

SOVIET SHAKE-UP

Gorbachev's return to presidency prompts U.S. stock recovery

By West Lockhart
Staff Writer

Monday's attempted military coup in the Soviet Union sent shock waves throughout world financial markets. The overall impact on U.S. markets, however, appeared relatively mild Wednesday as investors regained lost confidence in the face of Soviet President Mikhail Gorbachev's return to power.

On Wednesday, stock prices were sharply higher across the board, more than compensating for losses suffered during Monday's heavy trading. The Dow gained nearly 65 points in the first several hours after the market opened. Defense stock values, which quickly rose as Soviet tanks converged on the Russian Parliament, dropped when news of the failed coup reached Wall Street investors.

"When you have an event of this magnitude, we could have easily seen a 300-, 400- or 500-point drop," said Steven Rosefield, professor of economics at UNC-CH, referring to Monday's Dow Jones industrial average. The Dow is a cross-section of 30 stock values and serves as an indicator of overall market activity. The Dow dropped nearly 100 points in the first hour of trading on Monday

morning before rebounding to close down 70 points. It was the largest drop since October when investors became skittish about U.S. military presence in the Persian Gulf. But in the first few minutes of trading on Tuesday morning, the Dow rose 23.26 points. The stock market situation is a reflection of uncertainty, said Robert Eisenbeis, Wachovia professor of banking at UNC-CH. Expectations wors-

ened as a result of the leadership fluctuation, he said. When there is an event that threatens to destabilize the international sphere, it can be expected that the stock markets will respond accordingly, Rosefield said. According to Robert Ferri, spokesman for the NASDAQ stock market, there was no significant stock sell-off, and the markets recovered substantially. "It is cause for optimism," Ferri said. Gold prices significantly rose Monday and then dropped Tuesday, indicating that the Soviet situation carried more political than economic significance, Rosefield said.

As an investment option, gold is more easily liquidated. Its value traditionally rises when investors lose faith in the financial stability of their other investments—often because of outside events such as this week's attempted Soviet coup.

The United States has virtually no economic relations with the Soviet Union other than grain credits. Soviet financial instability is really not a threat to the U.S. economy right now, Rosefield said.

Grain prices soared Wednesday on the Chicago Board of Trade as prospects of increased U.S. grain sales to the Soviet Union heightened after word of the coup's failure spread.

Soviet

at 4 a.m. Monday (9 p.m. EDT Sunday) when the KGB moved to restrict Gorbachev to his Crimean dacha.

"Freedom and democracy have prevailed," Bush said. He said Gorbachev was "elated" and expressed appreciation to the United States for its support. Gorbachev did not speak with reporters, who were kept waiting outside the airport, but in a statement read on state TV, Gorbachev told the nation he was in full control and credited the "decisive actions of the democratic forces of the country."

The coup's failure will weaken efforts by hard-liners in the Communist Party, KGB and military to thwart reforms Gorbachev and Yeltsin favor.

The hard-liners' defeat inevitably will alter the balance of power between conservatives and reformers that has characterized Soviet politics since Gorbachev took power in 1985.

Although Yeltsin stood firmly behind Gorbachev during the coup, the two approach reforms differently and have fought bitterly in the past. Yeltsin favors a faster move toward democracy and a market economy. The coup's outcome also could signal a new, closer relationship between the two men.

Yeltsin emerged from the crisis triumphant, having rallied his people to resist the coup leaders from the streets of major Soviet cities to the mines of Siberia.

In his TV statement, Gorbachev said Yeltsin, Kazakhstan President Nursultan Nazarbayev, and the leaders of the Ukraine, Byelorussia and Uzbekistan assured him in telephone conversations their republics opposed his ouster.

The coup action came one day before Gorbachev and republic leaders were to have signed the new Union Treaty, which would strip more power from the central government and give it to the

republics. Lithuanian security guards and Soviet troops exchanged gunfire late Wednesday at a checkpoint near the Baltic republic's parliament building, a spokeswoman said. One Lithuanian guard was reported killed. Another was wounded, along with a civilian and one Soviet soldier. Some Soviet troops in the Baltic region had begun returning to their bases.

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