burning oil ordered for November.

Prospects for the entire Northeast, especially New England, are exceptionally grim. Big independent wholesalers that supply well over half the region's enormous oil needs are now unable to buy enough domestic fuel to fill their orders. Their usual sources—the major oil firms—are stockpiling what fuel they have for their own retail outlets. The independents are not eager to buy costly European oil, partly because it would boost their retail prices to roughly 36¢ per gal., while their large competitors charge about 27.4¢. Yet, unless the independents can get fuel somewhere, many homes and plants in the Northeast could well be cold this winter.

Elsewhere the situation is only slightly better. Colorado Springs' natural-gas supplies are so low that the city has been forced to declare a moratorium on tapping in new customers. In California, the State Public Utilities Commission plans a 10% cutback in electric power for homes and factories, and a 50% slash in electricity supplied to arenas for sporting events. Iowa's Governor Robert Ray estimates that supplies of liquefied petroleum and propane gas will fall 15% to 20% short of what is needed to dry crops and heat homes in his state. Some cities, including Detroit, New York and Los Angeles, are reluctantly making plans to stretch their fuel supplies by permitting greater use of heavy-polluting oils and even coal.

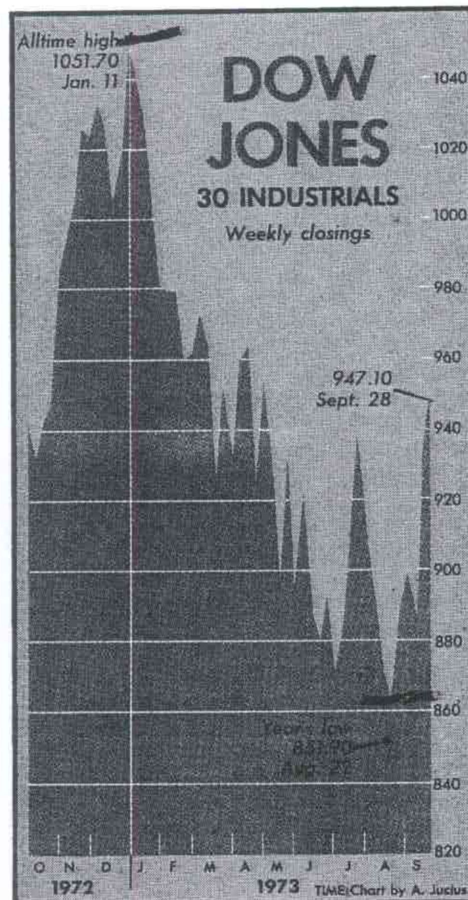
Refining Capacity. Congressmen, Governors and businessmen have been demanding for months that the Administration create a nationwide program of mandatory allocations under which it could order companies to divert fuel to areas of the country where shortages are worst. A draft program has been circulating inside the Government since Aug. 9, but the White House has been reluctant to order it into effect, despite mounting evidence that energy resources are inadequate. Administration officials insist that the program is extremely complex and must be gone over with great care to ensure that there are no loopholes. Says John Love, the President's new energy adviser: "My main fear is that we wouldn't be able to run it very well."

An allocation program is needed, but it would not eliminate the basic cause of oil and gasoline shortages: a lack of refining capacity. An increase in refinery construction began last year, but it will not have very much impact until 1975. Until then, oilmen can accomplish little by juggling refinery runs: the more gasoline they make, the more they have to scant on heating oil, and vice versa. And even after 1975, the enormous increase projected in per capita demand for oil will leave the nation increasingly dependent on costly imports. Thus Americans, who have long taken cheap energy for granted, will have to pay more for air conditioning, heat, lighting and auto fuel, while using less.

WALL STREET

1000 Revisited?

Inflation rages unchecked, moves toward international monetary reform are stalled *(see story following page)*, Washington is still shaken by scandals—so what is the stock market doing? Going up, of course. In the past six weeks, the Dow Jones industrial average has shot up about 100 points, recovering roughly half of its January-through-August decline. Last week the average got as high as 953 and closed at 947; three times, turnover on the New York Stock Exchange topped 20 million shares a day. The rising prices and volume may have generated enough commission income to enable the brokerage industry to earn a profit in September after eight months of net losses that have caused draconian staff and salary cuts.



The strongest force behind the market recovery was a drop in interest rates from their towering August peak. Some interest rates are still at alltime highs; most banks, for example, continue to charge a record 10% prime rate on business loans, though the Southwest Bank of St. Louis last week went down to 9¾%. A number of key rates, however, have backed down substantially; the yield on 90-day Treasury bills fell from a peak of 8.6% on Sept. 10 to 7.3% last week. The drop has stemmed a rush of money out of the stock market into fixed-income securities.

The conviction is growing on Wall Street that 1974 will bring not a recession but only a slowdown in the U.S. economy. Investment managers also consider the stocks of many big corporations undervalued, because the companies were posting record profits even while the prices of their shares were sliding sharply earlier this year. Finally, investors are drawing a kind of perverse cheer from the persistent worldwide shortages of oil, aluminum, plastics and other basic industrial materials. The shortages, they think, will enable the companies that make those materials to keep profits growing right through the expected economic slowdown next year, because demand and prices for their products will stay high.

Indeed, the big buying action on Wall Street these days is in the stocks of sound, old-line companies like Exxon, Bethlehem Steel and Du Pont. Such glamour stocks as Xerox, IBM and Eastman Kodak are still going down, partly because there is no shortage of copiers, computers or cameras. Also, many of the former highflyers pay small dividends or none at all. The standard industrial companies often pay dividends equaling 5% to 6% of the price of their stocks and so are better able to compete against other investments in an era of still lofty interest rates.

The Wall Street mood of the moment is, in the words of the Ivory soap commercial, "Back to basics." It is especially pronounced in the bank trust departments that now dominate trading, acting on behalf of pension funds they administer (individual investors have still not returned to the market, and mutual funds continue to lose power as redemptions of their shares exceed sales). The trust departments, says one analyst, now think it "utterly foolish to invest in highflyers any more, because the risk-reward ratio has become unfavorable. They are rethinking their investment philosophy." Stories are also circulating in the Street that heads of some industrial companies have pressed the banks to switch. The industrialists have supposedly been incensed to see the prices of their own shares languishing, while the money their companies contributed to pension funds was going to inflate the prices of glamour stocks.

The market upturn is obviously extremely vulnerable to any renewed rise in interest rates. If that does not happen, though, many analysts think that the rally could soon carry the Dow Jones industrials above 1000 again. Since that index is composed of 30 stocks of the very old-line companies that are now suddenly fashionable, a jump in the Dow could mask a continued bear market in glamour stocks.