BONDS ALSO SOAR

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Rise for Dow Average of 30 Key Issues Largest Ever

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By JOHN J. ABELE

The nation's financial markets responded enthusiastically yesterday to President Nixon's new economic programs.

On the New York Stock Exchange, the nation's leading stock market, volume climbed to a record 31.72 million shares and the Dow-Jones industrial average, which measures the performance of stocks of 30 of the largest companies, registered a record one-day advance of 32.93 points, to a closing level of 888.95.

Bond prices also rose sharply on heavy volume, sending interest rates tumbling. Traders said the rally reflected the fight against inflation implicit in the President's wage-price freeze.

Prices of commodity futures also gained, although markets in some commodities were closed, pending further study of the impact of new price and import policies.

Most foreign-exchange markets were closed, taking time to assess the impact of the President's program. In trading here, the values of most foreign currencies increased in relation to the dollar, in light trading.

Dow Rises 32.93

The increase on the New York Exchange for the Dow average, the most closely watched market barometer, amounted to 3.8 per cent. Many individual issues did far better in terms of percentage gains.

The stock exchange's composite index for all listed common stocks rose 1.80 points, to 54.68. The average increase for a share of common stock, the exchange said, was $1.37.

Demand for stocks was so great that some leading issues, including General Motors and Ford, did not open for trading because of the heavy preponderance of buy orders over sell orders. That is, investors wanted to buy, and no one could be found who wanted to sell.

Wall Street analysts said

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the rally was based on hopes for improvements in the domestic economy that would result from the President's program and on a psychological lift from the stronger tone taken by the President in seeking to increase economic activity, curb inflation and reduce unemployment.

One large brokerage house commented: "The worries that have depressed bond and stock prices in recent months have been chiefly high interest rates and inflation, the slow pace of economic recovery and the deteriorating dollar and balance of U. S. trade.

"The President's proposals attempt to deal with all these problems. Whether or not all become effective or even approved by Congress is less important from a stock-market standpoint than the positive psychological lift the proposals impart."

Robert Stovall, a partner at Reynolds & Co., declared: "This is just what the market needed—a sign of strong leadership. The response in the market today indicates that investors are keyed into the dollar, the economy and inflation."

Robert H. Parks, director of economic research for du Pont, Glore Forgan, Inc., said he thought the stock market "could move into new high ground within months" and offered these reasons for what he termed the new Nixon bull market:

¶The tax relief proposals, including the investment-tax credit, should increase corporate profits.

¶Relief to consumers in the form of reduced income and excise taxes should enhance confidence and spending.

¶The wage-price freeze should moderate inflation and buoy investor spirits.

¶Increased taxes on imports should bolster the trade position of the dollar, while suspension of dollar convertibility into gold "rules out any general run on gold."

In the bond market, where the ebb and flow of prices reflects anticipation of the effect of inflation on return from long-term securities with fixed interest rates, prices surged upward in hectic trading.

Some Government bonds jumped more than 2 points ($20 for a $1,000 bond), an unusually large move. Corporate bonds also made substantial gains, with some up as much as 3⅛ points.

In the short-term market, interest rates on Treasury bills dropped sharply. Three-month bills were auctioned yesterday at an average discount rate of 4.92 per cent, down from 5.37 per cent last week. Six-month-bill rates dropped to 5.20 per cent from 5.77 per cent.

Trading in gold and silver in world markets was suspended in the wake of the President's decision that the United States no longer would pay or sell gold for settlement of international transactions.

Handy & Harman, a New York fabricator of metals, which normally quote gold and silver prices, said it was discontinuing its daily 1 P.M. quotations because "the wage-price freeze has created uncertainties as to the future availability of gold and silver for domestic industrial needs within the price limitations imposed by the freeze."

Foreign-exchange traders in New York said talk was heavy but business was light, largely because currency markets in Europe were closed.

The traders reported "good volume," however, in the Canadian dollar, which closed at 99.23 cents, up from 98.93 cents on Friday. The Japanese yen closed at 0.2875⅛ cents, well above its nominal ceiling rate. The Swiss franc, German mark and British pound moved widely on light volume and closed above their nominal limits.

The American Express Company said its travelers checks, credit cards and other financial paper were being honored without limit at its offices throughout the world.

Howard L. Clark, chairman, said: "Today we used the exchange rate for the dollar which prevailed on Friday, Aug. 13, before President Nixon's announcement. Henceforth, our offices will cash our travelers checks and other financial instruments without limitation, at the prevailing bank rate in the country involved."

For further details on financial markets, see Page 47.