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Dollar Up Abroad; U.S. Stocks Slump

By VARTANIG G. VARTAN

The United States dollar closed broadly higher in world money markets yesterday while in Wall Street stock prices slumped unexpectedly to end a strong three-day rally in anticipation of President Nixon's resignation.

Strength in the dollar, a symbol of American power and prestige, was seen as reflecting the expectation that American world economic leadership would be revived. But the drop in stock prices served notice that steep inflation and other problems still plague the domestic economy.

"Everybody worked up a real sweat down here today," declared Charles B. Morgan, a broker for Bache & Co. on the hectic trading floor of the New York Stock Exchange. "There's no time for any high jinks."

In Brussels, meanwhile, a bank official noted, "It would seem that as the President goes down, the dollar goes up."

Undervaluation Seen

Many analysts abroad have regarded the dollar as undervalued against other currencies, chiefly reflecting Mr. Nixon's preoccupation with the Watergate crisis and inattention to economic matters.

American business leaders generally expressed hope that a new Administration could cope more effectively with the nation's needs and resources.

"Putting Watergate behind us should restore confidence and produce some upturn in the economy," said John D. deButts, chairman of the American Telephone and Telegraph Company.

At the same time, many executives expressed reservations that a change of Presidents, while providing a much-needed psychological lift for the nation, would have a substantive impact on certain global problems. The No. 1 problem, they agreed, is inflation.

Bonds and Gold Down

In Wall Street, bond prices eased after three days of gain, taking a cue of sorts from the stock market. Gold prices, reflecting strength in the American dollar, eased in Europe. Some commodity prices, reacting to weather and other conditions, moved downward.

The sudden turnabout in the stock market, which surprised many observers, was caused by profit taking on the part of traders and buy an awesome jump in the wholesale price index for July.

The Dow Jones industrials, the best-known barometer of stock prices, dropped 12.67 points to 784.89. Weakness was apparent in leading blue-chip and glamour issues—or the same stocks that helped to produce a 45-point advance during the first three days of this week.

The cumulative gain before Thursday was fueled mainly by growing speculation that Mr. Nixon would step down after the latest release of Watergate tapes on Monday afternoon.

But shortly after yesterday's market opening the Government reported that wholesale prices leaped 44.4 per cent on an annual basis last month. Sharply higher food prices accounted for the bulk of the surge. The report means, moreover, that a lot of inflation, in the form of higher prices, will be passed on to consumers in coming months.

Activity by Professionals

The profit taking represented activity by market professionals, rather than the general public. Some of these were traders who trade for their own accounts in "upstairs" offices and others were individuals who operate the trading accounts for their brokerage houses.

Higher stock prices earlier this week worked wonders for morale on Wall Street, where many firms have been losing money and talking to each other lately about shotgun mergers instead of deals.

Brokers said that pension funds and other institutions this week have accounted for around 70 per cent of public volume, while smaller investors kept their market share at 30 per cent of activity.

"The institutions are dealing with smaller pieces of stock," said Howard J. Abner, president of Jas. H. Oliphane & Co., a firm that caters to institutional investors. "I'd say they have no unanimity of opinion on the market or the economy at the present time."

As for the market's response yesterday, Mr. Abner likened its action to "anticipating an earnings report on Wall Street." He sid, "Basically, the market over three days anticipated Mr. Nixon's leaving the White House and now it's selling on the news—or the virtual certainty of the news."

European investors, who have been selling United States stocks over a prolonged period, turned into buyers this week, stated Andries D. Woudhuysen, senior executive vice president of Drexel Burnham.

"The buying is not heavy, but there is a noticeable emphasis on the purchase of blue chips and good old stocks that Europeans have known for years," he said.

While brokers and clerks were toiling on the Big Board's huge trading flor, there was a bit of color up in the gallery. A man wearing a Richard Nixon mask and flashing the familiar V-for-victory sign dashed through the members' gallery, according to The Associated Press. There were some cheers from the floor and the man promptly ran outside and eluded the stock exchange's beefy security guards.

There was no levity, however, in the assessments by business leaders, who offered their comments at a time when the economy is slowing in the face of a 10 per cent inflation rate and a 12 per cent prime lending rate. Moreover, some experts see a fairly prolonged recession and then a slower rate of business recovery over the next several years.

Charles G. Bluhdorn, chairman of Gulf & Western Industries, declared: "Not since World War II has there been such an urgent need for the United States to reassert its leadership in solving the economic problems engulfing the Western world. . . . Our economic problems are severe, but hopefully at long last we can focus on them without the paralysis of Watergate."

E. Robert Kinney, president of General Mills, Inc., stated that "the combined best efforts of Government and the private sector are needed" to resolve various economic problems.

Albert Sindlinger, a consumer pollster, recommended a cut of 5 to 10 per cent in the Federal budget, along with a freeze on interest rates and "an international summit meeting on monetary policy."

Mr. Sindlinger has been predicting four quarters of recession for 1974. Yesterday, he said he now is predicting a depression by the first quarter of 1975. He called on the new President to take "bold action.".

Despite the strength of the dollar abroad, some bankers wtrned that Mr. Nixon's resignation would not give the American currency a permanent lift.