A Crisis of Confidence

Doubt Over How Nixon Will Handle Foreign Policy Cited in Market Drop

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By TERRY ROBARDS

The gloom that enshrouds Wall Street today is perhaps the heaviest since the early days of the Great Depression. The stock market keeps skidding day after day, with only feeble at- attempts at recovery, and the bond market is equally depressed.

Analysts say there has been no worthwhile really because of a crisis of confidence in the ability of the Nixon Administration to reduce American commitments in Indochina and withstand pressures for deeper involvement in the Middle East. They say it is not really the uncertain business outlook that is keeping the market down.

Economic Analysis

Reassuring comments by the Administration's economists have been repeatedly shrugged off, demonstrating that the state of the economy is not the problem.

The investment community is fearful that the Administration actually has no plan for final disengagement from Vietnam and that it will be lured into a confrontation with the Soviet Union over the Arab-Israeli conflict, which seems to be escalating.

Makings of a Malaise

Campus dissension and the oncoming decline in corporate earnings only add to the mailaise. Even the perilous state of Bernard Cornfeld's overseas mutual fund empire is seized upon as yet another reason for pessimism, since forced liquidations of fund holdings might add to the general market retreat.

There is talk of a selling climax, a conclusive final disgorging of securities in chaotic trading, but it never seems to materialize. The decline is orderly, showing only rare signs of panic, and it is relentless.

"The gloom is at the darkest now and maybe there's someing to that old proverb that everything is blackest at the bottom," says August Huber, president of Spencer Trask & Co. "It's been many, many years since we've had the depressed state of mind that we see now. Whereas a couple of months ago people could see the light at the end of the tunnel in Vietnam, now it's all reversed and people are thinking it'll go on for years more."

A Theory Expressed

Mr. Huber's theory is that the stock market currently is discounting the worst that can happen either in corporate profits or in the American involvements overseas. "We've squeezed a heck of a lot out of this market," he observes. "With the deterioration we've seen, we should be near the bottom. I would expect a fairly decent rally to develop from somewhere close to here."

But comments like this seem to be increasingly rare these days. Most analysts appear to feel that a bolstering of confidence in the Nixon Administration is what is needed. This can come about, they say, only when an end to the long and dreary Vietnam war becomes likely. The engagement in Cambodia has shaken their confidence that the day is near.

Any further deepening of the American involvement in overseas conflicts would be viewed with alarm by investors. It would come as a surprise and there is a widespread belief on

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Wall Street that the stock market can not withstand many more items of unexpected bad news.

On the other hand, technical analysts say the market is deeply oversold and ready to rally on good news. Wall Street is waiting for concrete evidence of improvement in the Vietnam situation and a clear indication that the United States will not be drawn into any other wars.