Rumors on Nixon Decision Send Stock Prices Soaring

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Conjecture that President Nixon might resign sent the stock market soaring yesterday, but gains were cut in half after the White House denied that the President would step down.

With investors reacting to the latest release of Watergate transcripts, the Dow-Jones industrials climbed more than 25 points in the first half-hour of busy trading. At the final bell, the blue-chip average was ahead by 13.38 points at 773.78.

The stock market's action was a clear indication how the financial community, battered by a long slump in share prices, views the prospect of Mr. Nixon's departure from office.

The bond market, responding to the same psychological forces, also staged a brisk rally.

"Right now, 90 per cent of Wall Street would cheer if Nixon resigns," declared Eugene J. Sherman, vice president of Merrill Lynch Government Securities, a subsidiary of the giant holding company.

Self-interest, of course, is embedded in the reaction of the financial community. As Mr. Sherman admitted, "Wall Street thinks in terms of 'what it will do for my pocket.'"

The response of numerous Wall Streeters as to why a Nixon resignation would aid the market stressed these attitudes: it would end the uncertainty posed by Watergate, improve public psychology and

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Conjecture on Nixon's Decision Sends Stock Market Prices Up

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help to unite the nation behind Vice President Ford. "People would get a good night's sleep for a change," one research-department executive said.

Also offered was the firm-hand-on-the-tiller thesis.

On this score, James W. Davant, chairman of Paine, Webber, Jackson & Curtis stated: "The Administration has been weak and ineffective. Inflation and other problems demand immediate attention. It's in the best interests of the country for Mr. Nixon to resign."

Inflation, impeachment and interest rates—currently known as the "three I's" among financial phrasemakers — have dragged down stock prices for many months. The result has been havoc in Wall Street, with heavy losses in money, morale and manpower. Last Thursday, to top it all off, the stock market sank to its poorest level in nearly four years.

The result has been to make brokers and investment bankers desperate for change — almost any change. A change in Presidents increasingly has come into vogue downtown as Wall Street's salvation.

"I see Gerald Ford as a kind of Eisenhower," one research department head observed yesterday. "He is honest, dependable and not dramatic. The sort of man who can hold the fort."

If Mr. Nixon resigns soon, there is little doubt that stock prices will bubble upwards for a spell. Bonds also could stage a minor rally, in the wake of a 10-month slump that has left mixed-income markets groggy.

But the huge difficulties facing the nation today still would be with us. A Nixon resignation would indeed remove the element of uncertainty as to the White House occupant.

A 12 per cent prime rate and a 10 per cent inflation rate, however would remain. Plus such problems as the belance of payments, higher costs of raw materials, escalating wage and welfare costs, and a possible drought in the Middle West.

One Wall Streeter, requesting anonymity, said he remains loyal to Mr. Nixon. "If he does resign, the stock market would probably go up," he said, "but I think it will come back down again. What we will have is the same play with different actors."

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"The sooner Mr. Nixon resigns," this Wall Streeter reasoned, "the more market impact there will be. But the longer the process is stretched out, the more discounting there will be."

This raises a question that only the market can answer. In the days or even weeks ahead, if investors become convinced the President will resign, the Dow industrials could move up smartly from yesterday's close at 773.78.

But the discounting process—the stock market's way of allowing for future developments—conceivably could go so far as to bring in a rush of selling if the President steps down.

It boils down to this: a high degree of uncertainty even in trying to remove the uncertainty of a Nixon resignation.

"You tread like you're walking on glass when it comes to politics and stocks," one official at Pershing & Co., Inc., commented.

Ultimately, if the market does rally, it will probably mean a commitment by pension funds and other institutions, rather than wholesale purchases by small investors, the bulk of whom have dropped money in stocks since the big bull market died in early 1969.

Great Ironies Seen

The current situation, clouded as it appears, carries great ironies for the President. When his personal stock rode high, Wall Street echoed with cries of a "Nixon rally."

When he first won the White House in 1968, a bull market was boiling. Later, after a harrowing decline that took the Dow down to 631.16 on May 26, 1970, the scheduling of a White House dinner for 40 business and financial leaders turned the tide.

On Jan. 11, 1973, shortly after Mr. Nixon's re-election, the Dow soared to a record close at 1,051.70. But that was the top.

By the spring of 1974 the stock market, which serves as a unique form of voting machine, was transfixed by onrushing interest rates, rampant inflation and the legacy of Vietnam. And nearly a year ago, Watergate began to cast its lengthening shadow over the nation, Wall Street and the fate of President Nixon.