

Happy Hunting in the Market

THE UPS AND DOWNS OF COMMON STOCKS, by George A. Cowee, Vantage Press, Inc., New York, 1960. \$3.

Reviewed by LANCASTER M. GREENE

THE AUTHOR, in a do-it-yourself book for investors, encourages readers who can save or inherit money, to have confidence in their investment abilities, provided they make use of their reasoning faculties and a number of helpful hints.

It may be obvious that capital increases most often when invested in common stock shares. The best of these stocks lift investors to a new standard of income and capital—mainly when the selections are made from those companies which have top-quality managements. Before investing in bonds and preferred stocks the reader interested in capital gains is reminded that under certain conditions these may stand still or deteriorate.

Mr. Cowee warns the inexperienced that securities must be marketable if the buyer is to be allowed a chance to change his mind—and to be marketable shares must be listed, preferably on the New York Stock Exchange. Marketability, even in financial panics, is absolutely essential.

Selecting the leading company in

any important industry is not very difficult for any saver of funds, and confining one's self strictly to these leaders is the key to a happy financial future. Another criterion is the integrity and ability of the management personnel, including the directors. An important point for any investor to ponder is a comparison between the price of a stock and the earnings per share. Average the earnings for 5 years and divide this into the price of the stock. If it is 7 times earnings, the stock is cheap—if it is a super-popular growth stock at 60 times earnings, it is dangerous.

An entire chapter is devoted to 21 cautionary "earmarks of the culmination of a bull market," one of these being evidence of a great increase in brokers' loans against the market value of all listed shares. In 1929, against values of 87 billion dollars, brokers' loans were about 10 per cent; whereas in 1961, against 300 billions of New York Stock Exchange share values, borrowings are less than 2 per cent. Mr. Cowee says that when these borrowings go over 5 per cent it is a danger signal. Bear markets also come in for discussion with appropriate warnings.

Many other maxims are offered, making this a stimulating book for sophisticated investors as well as the naive.

The population of the world is nearing the 3 billion mark. With an annual increase of almost 50 million (roughly that of Italy), the earth's population at the present rate will mount to 5 billion human beings by the year 2000.

This rapid growth can be attributed not so much to a sharply climbing birth rate as to the great strides in medicine and technology which prevent infant deaths and prolong life expectancy.

Scientific studies lead to the conclusion that there is plenty of room over the earth to accommodate and feed this expanded population.

Try to get the facts for yourself. Do not be satisfied with the approach of the prophets of gloom, who see no solution; or with the unrealistic dreamers, who see no problem.

Keep hammering on the point that it is still God's world, and He would never allow a problem to arise without a solution. As the Hebrew Psalmist said: "The earth is the Lord's and the fullness thereof." (Psalm 23:1)

—From Christopher Notes