

ELECTRONIC TRADING

For some time now I've been wanting to try trading by computer, but each computerized trading system I've looked at was missing something I needed. Specifically, it seems the investment world has never heard of Macintoshes; virtually all financial software is written for IBM PCs or their clones. Until last February we had no home computer at all (only a dumb terminal), and I had only a Macintosh in my office at work (in addition to an assortment of terminals connected to Digital VAXes).

But several things then happened to bring computer trading closer to realization. First, we bought a Macintosh (with high-speed dialup access to work) for the home (and for producing **The Contrarian's View**); this gave us home access to the Internet and all of the other goodies on the campus network..... and it renewed my search for trading software that would run on Macs. Then, last summer, my office was moved, which gave me access at work to a second phone line for a dedicated modem hookup; about the same time I also got the latest thing in a PC to use for monitoring the network. Also, the "discount" broker used by Commerce Bank, where my IRA resided, imposed a \$75 minimum commission.... that's not my idea of a discount, and with several small holdings in my IRA the exorbitant minimum made it too costly to do any trading there.

At any rate, although I would have preferred a

Macintosh computer trading program, at least a PC-based program was now acceptable, although it would limit me to trading only at the office. After looking at several products, I felt that Fidelity offered the most advanced trading program; and Fidelity had no-fee IRAs, no-commission trading for certain mutual funds within a brokerage-account IRA, a local office here in Worcester, the financial backwater of America, where I could go to pick up literature and berate somebody if things went wrong.... and the *promise* of a Macintosh-based trading program to be made available this spring.

So I filled out the forms to transfer the IRA to Fidelity, and got the FOX (Fidelity Online Express) trading software. IRA transfers take time, but by the end of December, when the last issue of **The Contrarian's View** was mailed, everything was in place except I was missing a cable to connect the modem to the PC. I had an incentive to make at least one trade before the end of December, because Fidelity was offering new accounts with at least one trade before December 31 the new Windows version of the FOX software *free*, when it is released (soon, I hope). With the new year fast approaching, I scrounged around and found a cable (with 9-pin to 25-pin adapter) that would work.

Installing the FOX software was fairly straightforward; there are even directions for creating an

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“icon” for use with Windows. Initially, I had no problem starting FOX from within Windows, but after I had installed Microsoft’s WIN32S with OLE support add-on software (which allows 32-bit Windows applications to run on a 16-bit machine), FOX would no longer start up from within Windows. It instead gives the error message “Decrease KB PIF required” which, naturally, doesn’t appear anywhere in the FOX manual. After I had poked around in the Windows 3.1 documentation for awhile I figured out that FOX is asking for too much memory when it starts up within Windows, and both it and the WIN32S-modified Windows won’t fit together. Of course computers are my profession, so I’m supposed to be able to resolve problems like this; but I feel sorry for the average computer-illiterate home user who buys his software-preloaded PC off the shelf and expects every newly-installed product to work perfectly.

At any rate, I didn’t feel it was my place to tell FOX how much memory it should ask for; so to run FOX I must exit Windows to the MS-DOS prompt and enter fox.

When you install FOX, there is an initial sequence during which you specify your Fidelity account number, the local access telephone number, and your PIN. FOX then places the call to Fidelity over the modem, fetches all of the necessary information to update your account, and hangs up. This all went very smoothly for me, and I was able to review my IRA to see that all of it had transferred correctly, and to get the latest cash balance.... *well before* I received my month-end paper statement. Pretty neat.

For my year-end trade I went looking for a depressed security that would yield more than Fidelity’s money-market fund, and I selected the Freeport-McMoRan Copper & Gold \$1.75 convertible preferred (for reasons detailed in the discussion under the IRA portfolio). It pays to read Fidelity’s fine print when selecting stocks.... FOX will not allow you to buy or sell warrants, rights or bonds, or naked options, or enter “fill or kill” orders or short sales. This is inhibiting when investigating convertible bonds for an IRA....

that’s why I selected a convertible preferred stock.

FOX works mostly offline. You peruse your account and prepare your stock orders offline. When your orders are ready, you then select the “Call Fidelity” function, and FOX then dials up Fidelity and puts you online to OK the transmission of your orders. Updating the information for your account is similar; FOX places the call, gets what it needs and hangs up, typically taking 20 seconds or less. This is how Fidelity can offer “on-line” trading without charging for connect time.

FOX does offer a “TurboTrader” mode, which puts you continuously online for a rapid succession of trades; but you’ll get disconnected if you dawdle for more than a minute. I frankly don’t see how this would generate anything useful except commissions for Fidelity (which is probably why it’s offered).... it’s not for the average investor.

Before placing an order it’s wise to get recent quotes for the stocks desired, and FOX has a “Quotes” option which lets you fetch quotes for lists of holdings, or for a single security. But Fidelity *charges* for its quotes, giving you an allotment of “free” quotes depending on the commissions you generate. I have been unable to find anywhere in FOX how you can see how many free quotes you have left, and I have Internet access to four sources of free quotes, so I don’t use this option at all.

You can either prepare a limit order for a stock purchase, or ask to buy at the market. In the case of FCXpr, my free-quote sources told me it was trading between 23 and 23-1/8, so I created my order to buy 100 shares at 23. When I told FOX to call Fidelity with the prepared order, it gave me a *real-time* quote for the stock: 23. At this point I had the option of accepting or rejecting the trade. If I had rejected it, it would have been stored in my computer as “untransmitted”; but the price was right, so I said OK. FOX then confirmed the order with an order number and the dollar value of the trade (before commission), and hung up. FOX tells you to write down the confirmation number; this is unnecessary (it’s stored in the PC), but

what you *do* need to write down is the dollar value of the trade, because this number won't reappear for awhile.

FOX showed my order as "open", that is, Fidelity had it but it hadn't been filled yet. So I waited a few minutes, then directed FOX to call Fidelity for an account update. Reviewing my account showed that my order had been filled at 23.

It was at this point that a major flaw with FOX became apparent. The filled order was not reflected in the account status.... FCXpr did not appear in the list of stocks in the portfolio; none of the money-market-fund shares had been redeemed, nor did a cash debit balance appear; nor was the cost of the trade shown. It's a good thing I wrote down the cost of the trade when I was connected to Fidelity; even so, I had to figure the commission with a calculator, using Fidelity's latest rate card, and add it in to know how much money I had spent.

Even updating the account at 6:30 PM did not show any changes; I had to wait until the next morning, when I again asked FOX to update my account. This time, the complete information on the trade appeared, with its cost, including commission.... but a second major flaw quickly became apparent. The trade had not "settled", so the portfolio showed the FCXpr with no corresponding reduction in the money-fund shares. Again I had to resort to my calculator, subtracting the debit amount shown in the account balances from the value of the the money-fund shares, to figure out how much money I had left to spend. Also, many of the calculations FOX can do, such as the portfolio value and its yield, were now totally bogus, because they included both the FCXpr and the unreduced money-fund shares.

Fidelity allows you to buy and sell certain mutual funds commission-free inside a brokerage IRA. One of these is Bull & Bear Gold Investors, which I have owned for a number of years and which has not done particularly well for me, so this was my chance to dump it. Another is Benham Gold Equities Index, which essentially tracks the prices of North American gold stocks; this was what I was looking for in a gold mutual fund..... so I decided to "swap".

Again, it pays to read the fine print. Some funds, such as Benham, settle the same day if bought or sold before 1 PM, otherwise the next day; others, such as Bull & Bear, settle in five days, with the normal 4 PM cutoff time. So to buy the Benham fund, I had to make sure I had the cash on hand; I couldn't use the money from the simultaneous sale of Bull & Bear to pay for Benham.

This time I entered two trades to be transmitted, to buy \$1,050 of Benham Gold, and to sell 35.320 shares of Bull & Bear Gold. (I would have liked to specify "sell all", but FOX doesn't have an "all of them" option.) These were transmitted to Fidelity around noontime, and each was assigned an order number. Late in the afternoon, I decided to check their status; the Benham Gold order was marked filled, but the Bull & Bear order was marked "assumed cancel", and another order, with a different order number and marked "open", had replaced it. Upon viewing the new order in detail, a message popped up advising me that I could not modify or kill the order using FOX; I had to telephone Fidelity to make any changes.

It was obvious that a human had interfered with my sell order, and that, of course, defeats the whole purpose of computerized trading, which is to have my computer talk directly to their computers without having human mistakes creep in. Why had somebody interfered, I wondered.... and the only way to find out was to call.

So I dialed the FOX assistance number, and got the usual button-punching menu instructions (see Quote for the Month). Eventually I reached the area I needed and got the wait message ("Your business is important to us...." but not important enough to have sufficient staff to answer my call right away.) After not too terribly long a wait, a male human actually came on the line, so I explained my predicament and asked him, what was wrong with my original sell order that it had to be interfered with? He said he would check with "Lisa at the trading desk".... and after a few moments delay he returned to advise me there had been a "communication error" in my transmission, so the order had to be re-entered manually. (I had my doubts, because if the order had been

scrambled in transmission, it is unlikely a human could have figured out what it was supposed to be; but I said nothing.) But he did say the order would go through fine, and not to worry. Since I had him on the line, I asked him when the account status was updated; he replied, between 8:30 and 10 PM each trading day.

The next morning, I again used the Call Fidelity function to update my account status. The Bull and Bear sell order had indeed been filled, but imagine my surprise to see that my portfolio still had 3-plus shares of Bull & Bear Gold left! Checking the transaction history showed that I had apparently asked to sell the shares on the day before the year-end distribution; and that the manual order was entered on the day of distribution as of the day before.... so I was being credited with the year-end distribution, which was reinvested. This thing has been a part of my life for so long, I thought to myself, that I can't kill it off.... it keeps coming back to haunt me!

The obvious solution, of course, was to enter and transmit a sell order for the reinvested distribution shares, which I did. The next day, I found the same occurrence as the first time; my order had been marked "assumed cancel" and a second order, also marked "assumed cancel", replaced it. Furthermore, my portfolio now showed 7-plus shares of Bull & Bear Gold, Egad, it was multiplying! But this time I had the sense not to call anybody, and to just leave things alone, figuring that eventually they would settle out.

A few days into the new year, I checked the transaction history in my account. It showed *twelve* transactions involving Bull & Bear reinvested distributions, adding up to a grand total of \$0.00, so I continued to wait patiently for everything to be balanced. Eventually all of the bogus shares did disappear, but each time there was a share debit FOX asked me to "assign tax lots", which left me totally baffled because I hadn't created any of these fictitious transactions in the first place. But I kept selecting "tax lots" until FOX was apparently satisfied since, in an IRA, tax-lot assignments really don't matter. If there is a moral to this tale of misery, it is: Don't sell a mutual fund just before its distribution day.

My most recent transaction experience with FOX was to buy 100 shares of Serfin (see the discussion under the IRA portfolio) in two odd-lot transactions. This went very smoothly; when I transmitted each order to Fidelity and was put online, the share quote included the eighth-point odd-lot transaction fee, and when I said OK, the order was filled immediately. (Odd-lot orders on the NYSE go directly through the exchange's small-order computer system). When I first transmitted my second odd-lot Serfin order, I was not happy with the quoted price of 6, because the price was still sinking as the peso continued its free-fall; so I said "cancel", and the order remained in my computer as "untransmitted". I monitored my free quote sources on the Internet for awhile, and about a half-hour later I again called Fidelity with the order. This time, I got a real-time quote of 5-3/4 (meaning the stock last traded at 5-5/8); that was OK, so my order was filled at what turned out to be the day's low.

Generally, I am satisfied with FOX and its features, but I get the feeling that I am working with a quite sophisticated PC program which allows me to peek into creaky, aging mainframe computer systems at Fidelity which are badly in need of updating. I feel that too much attention is paid to accounting niceties.... if I sell a stock, I expect it to disappear from my list of stocks now, not in five days, and I also expect my free cash balance to be accurate, not show money-market shares which are actually committed to meeting a settlement. If I were a very active trader using FOX, I would very quickly lose track of how much money is available to spend in my account. And of course, I anxiously await both the Windows and Mac versions of the product.

One final word about Fidelity: When I signed on my IRA with them, the \$20 annual IRA fee was waived for FOX customers. But as of January 1, 1995, the fee structure has changed; Fidelity will assess an annual fee of \$12 for *each mutual fund* held in an IRA, *including the money-market fund*, unless the value of each is more than \$2500 or the entire account is more than \$50,000. Just like a bank.... get you suckered in, then they change the rules. Anyway, it appears to be impossible to avoid at least a \$12 fee for a small IRA account; and

certainly, I will now buy stocks for this IRA and stay away from mutual funds.

One of the computer-trading outfits I looked at and rejected in favor of Fidelity was AccuTrade, which offers both PC and Macintosh versions of its software. AccuTrade has been offering computerized trading for at least a decade (I remember first looking at their dial-up-using-terminal-and-modem system in the mid-1980s), but when I wrote away for information, what they sent me was rather sparse on facts, and their commissions were (at the time) not much cheaper than Fidelity's. But because I write **The Contrarian's View**, last spring I was a target for a promotional campaign for their computerized trading services, and as part of that campaign they sent me a diskette (for the PC, naturally; remember, Macintoshes are invisible to the financial world). Now that I finally have the PC hooked up, I thought to myself, why not load AccuTrade's software and give it a try?

This diskette came with a single sheet of instructions printed on both sides, and it's a good thing I work with computers for a living and have experience decoding sparse instructions, or I would never have been able to get this software to work. On my machine, the modem is hooked up to the serial port COM1; the default configuration for the software assumes a printer is connected to COM1 and the modem is plugged into COM2:.... but I got the software reconfigured eventually.

AccuTrade's software is actually a "script" written for a communications product called Telix, whose most recent copyright date, according to the notice screen that pops up when you run it, is 1988; that makes it a dinosaur in 1995. Forget Windows; not even the mouse works with this product.... your motion is restricted to the arrow keys. Anyway, connection to AccuTrade was straightforward using the built-in account number and PIN; this put me into an account called "letter writers test".

One nice thing AccuTrade will do is give you the current Dow Jones Industrial average when you log in. Accessing account balances (\$0) and constructing orders and getting (delayed) quotes was also quite straightforward once I had learned

what function key did what operation. (Remember, no mouse, not even arrow keys; you are restricted to the function keys and ALT-key operations.) One of the balances I could get was the connect-time charge, because AccuTrade charges for the time you are connected to their system.... one of the reasons I rejected them in favor of Fidelity. When I last logged into AccuTrade at the end of December, the connect-time charge for the account was about \$80, and I was responsible for about \$8 of that cost with my final session (at the rate, apparently, of about 50 cents per minute), so I surmise that not many letter writers were trying it out.

Because of the connect-time charges, AccuTrade is not suitable for an IRA; but if in this modern age you have only a 640KB mouseless PC running DOS 3.3, and a 1200 or 2400 baud modem, and you are thus used to software from the Dark Ages, then this company is for you. AccuTrade also provides a Macintosh interface to their system.... it has *got* to be better than their PC version.

A third company offering computerized trading is K. Aufhauser, and what makes Aufhauser attractive is its very-recently-developed World Wide Web interface on the Internet. (To my knowledge, Aufhauser is the only brokerage to offer direct Internet access to its customers, although Fidelity is making promises.) Aufhauser has a demo account which anybody can use for quotes and Dow Jones news. (If you are reading this issue of **The Contrarian's View** on the Internet, just single-click on the underlined words in the previous sentence to get there.)

Naturally I tried the demo account as soon as I saw the ad for it in **Barron's**, and I liked what I saw. The quotes are especially nice because you can see the latest bid-asked spread (delayed) for the stock.... invaluable information when placing a limit order. Also available is the day's news from Dow Jones. You can ask for the last ten headlines (totally worthless), or all the headlines for the day (quite large by evening), or select headlines by symbol or code. If you ask for all headlines, you quickly find that everything is scrambled together; corporate news, stock market updates, currency reports, etc.... the only order is chronological.

Quick & Reilly	3				Y	D		Y	Y	I
Scotia Securities	1									
Scottsdale Securities	1									
Charles Schwab	4				Y	Y	R	F	Y	Y
Waterhouse Securities	7	1			Y	Y	R	-	Y	-
L.C. Wegard		1								
Dean Witter Reynolds			1							

Ratings:

The ratings are a compilation of the number of respondents rating the brokerage and their services according to the following scale:

- 1) Trades/services are always without hassle
- 2) Trades/services occasionally have a hassle
- 3) Trades/services usually have a hassle
- 4) Avoid at all costs

Services:

The following services are listed for each brokerage. In general the following symbols are used:

- The broker does not support the service.

space No information has been provided .

Y The broker provides the service, except

as

listed to the right:

Marg: Margin accounts allowed.

Limit: Limit orders accepted.

Opts: Options trading.

Quot: Quotes provided using the following key:

R - real time quotes

D - Delayed quotes

Pink: Pink sheet trading using the following key:

P - Only domestic pink sheet securities.

F - Foreign as well as domestic securities.

Chck: Checking privileges.

Elec: P - TouchTone trading and information service.

I - Information only

C - Computer trading, either through their

own

software or with existing online service

vendors.

A - All of the above.

QUOTE FOR THE MONTH

For a list of all the ways technology has failed to improve the quality of life, please press 3.-Alice Kahn

STOCK MARKET OUTLOOK

In mid-January, I took a chance on the bear-market rally, switching my pension funds into stocks for the first time in two years.... and lost. Whipsaws are typical in a bear market, and when they occur, one hopes the losses will be minimal and will be greatly outweighed by bull-market profits, when the next bull market finally arrives. But for the moment, no bull is in sight; I see only a cavernous valley with its bottom in the mists. When in a bear market, always err on the side of caution; be patient; and wait for that glorious

opportunity to buy at much lower prices.

In case you hadn't noticed, last year "cash" outperformed virtually all other investments, and many exotic investments that attracted big cash flows in 1993 stumbled badly. The Federal Reserve continues to pursue a tight-money policy in an illiquid world; this is bearish for just about every noncash investment you could make (except selling short).

PORTFOLIO REVIEW

The combined performance of the portfolios (excluding "Discards" and TIAA/CREF) from January 1987 to the present, adjusted for the dilutive effect of added cash, is +31.96%, for a compound annual rate of return of 3.50%. For comparison purposes, from January 1, 1987 to January 24, 1994 (8.066 years), the CREF stock unit value (whose performance closely parallels the S&P 500 with dividends reinvested) has risen 133.78%, for a compound annual rate of return of 11.10%. WARNING: I am a rotten stockpicker. Prices shown are as of January 24.

A. "Hedger's Delight" -real portfolio, includes commissions:

Shrs	Description	Symbol	Bought	Sold On	Sold At	Cost Was	Price	Curr Value
100	Amax Gold	{AU/nyse}	4Jan95			602.35	5.125	512.50
100	Amax Gold wt\$21/8Jan96	{AUws/ase}	21Feb92			181.10	.1875	18.75
100	Amax Gold wt\$21/8Jan96	{AUws/ase}	5May93			84.85	.1875	18.75
100	Atlas wt\$15.625/perpetual	{AZws/ase}	15Jun89			490.00	1.125	112.50
100	Atlas wt\$15.625/perpetual	{AZws/ase}	31Dec91			263.60	1.125	112.50
100	Atlas wt\$15.625/perpetual	{AZws/ase}	10Feb93			167.35	1.125	112.50
125	Aurora Electronics SHORT	{AUR/ase}		30Nov92	1331.48		4.4375	-554.69
25	Aurora Electronics	{AUR/ase}	16Mar93			312.50	4.4375	110.94
200	Campbell Resources	{CCH/nyse}	15Sep88			220.00	.6875	137.50
300	Campbell Resources	{CCH/nyse}	14Dec88			206.25	.6875	206.25
125	Campbell Resources	{CCH/nyse}	26Dec90			47.50	.6875	85.94
1	Citicorp call\$20/21Jan95	{CCIAD/cboe}	27Dec94	14Se94	-2115.16	-2425.00		0.00
1	Citicorp put\$35/21Jan95	{CCIMG/cboe}	22Sep94	21Jan95	.00	37.50		0.00
14	Coherent Communications SHORT	{CCSC/otc}		3Aug94	70.00		17.75	-248.50
100	Glamis Gold .12	{GLG/nyse}	1Jun89			109.00	8.625	862.50
75	Hasbro .28 SHORT	{HAS/ase}		30Nov92	2582.70		29.50	-2,212.50
1	Homestake LEAP call\$25/20Jan96	{LHMAE/cboe}	19Sep94			263.05	.625	62.50
100	Magma Copper B SHORT	{MCU/nyse}		4Jan93	1294.75		17.125	-1,712.50
100	Magma Copper wt\$8.50/30Nov95	{MCUws/nyse}	4Jan93			875.00	9.00	900.00
3	MajMktldx LEAP put\$35/15Dec95	{LTBXG/ase}	29Jul93			735.46	1.00	300.00
2	MajMktldx LEAP put\$40/21Dec96	[LTBXH/ase]	14Oct94			486.84	2.00	400.00
100	Pegasus Gold .10	{PGU/ase}	25Apr91			1122.33	11.375	1,137.50

Shrs	Description	Symbol	Bought	Sold On	Sold At	Cost Was	Price	Curr Value
1	Placer Dome LEAP call\$30/20Ja96	{LPDAF/cboe}	26Oct94			235.05	1.0625	106.25
2	S&P500 LEAP put\$40/15Dec95	{LSXXH/cboe}	17Aug93			342.30	.50	100.00
2	S&P500 LEAP put\$45/21Dec96	{LSZXI/cboe}	17Oct94			436.10	1.8125	362.50
40	Safeguard Scientifics SHORT	{SFE/nyse}		6Dec85	181.78		19.75	-790.00
100	Sunshine Mining	{SSC/nyse}	15Dec88			371.25	1.625	162.50
200	Union Carbide .75 SHORT	{UK/nyse}		19Aug94	6391.30		29.00	-5,800.00
	CASH					559.98		559.98
	Totals					<u>9,736.85</u>		<u>-5,448.83</u>

SUMMARY - "Hedger's Delight":

Original cost:	\$10,455.77	
Present value:	\$ 6,403.18	
Increase:	\$-4,052.59	[-38.76%]
Yield:	\$ -81.00	[-0.77%]

The performance of this portfolio from January 1987 to the present (adjusted for the dilutive effect of added cash) is - 37.15%, for a compound annual rate of return of -5.59%.

COMMENT on "Hedger's Delight": As Citicorp dipped in response to the Mexican crisis, I covered the call I had written some time ago; and of course, the put has expired worthless. Also, as gold shares

swooned again, I got 100 shares of Amax Gold at 5-1/2 by good-til-cancelled order filled. The cash balance shown also reflects dividends paid on the short positions of Hasbro and Union Carbide.

B. "Present and Future Income" - real portfolio, includes commissions:

Shrs	Description	Symbol	Bought	Sold On	Sold At	Cost Was	Price	Curr Value
100	Bank of NY wt\$62/14Nov98	{BKNYW/otc}	20Oct90			222.35	10.00	1,000.00
128	Citizens Utilities 'A' .75	{CZNA/nyse}	8Apr91			957.21	13.375	1,712.00
33	Continental Mortgage EqTr .60	{CMETS/otc}	23Dec93			412.50	15.00	495.00
3.2	Duke Realty Investments 1.80	{DRE/nyse}	14Dec87			66.00	26.125	83.60
3.3	Duke Realty Investments 1.80	{DRE/nyse}	15Dec87			68.75	26.125	86.21
7.5	Duke Realty Investments 1.80	{DRE/nyse}	14Nov88			193.60	26.125	195.94
300	Hanson wtB,300p/30Sep97	{HANwsB/ase}	15Jan92			126.10	.375	112.50
100	Manville wt\$9.40/5Jun96	{MVLws/nyse}	26Oct90			71.10	1.25	125.00
100	Northeast Util wt\$24/5Jun97	{NUWTW/otc}	15Nov93			222.35	1.125	112.50
8	Northeast Util wt\$24/5Jun97	{NUWTW/otc}	23Dec93			18.00	1.125	9.00

Shrs	Description	Symbol	Bought	Sold On	Sold At	Cost Was	Price	Curr Value
13	Southwestern Property Trust .88	{SWP/nyse}	31Dec93			164.13	12.375	160.88
	CASH					8154.82		8,154.82
	Totals					10,676.91		12,247.45

SUMMARY - "Present and Future Income":

Original cost:	\$ 9,548.98	
Present value:	\$12,247.45	
Increase:	\$ 2,698.47	[28.26%]
Yield:	\$ 144.19	[1.51%]

The performance of this portfolio from January 1987 to the present (adjusted for the dilutive effect of added cash) is +43.52%, for a compound annual rate of return of 4.59%.

COMMENT on "Present and Future Income": The cash balance shown reflects dividends received from Duke Realty and Continental Mortgage and Equity Trust.

C. "Crapshooter's Folly" - real portfolio, includes commissions:

Shrs	Description	Symbol	Bought	Sold On	Sold At	Cost Was	Price	Curr Value
100	Allou Health & Beauty SHORT	{ALU/ase}		13Jan94	1047.61		8.25	-825.00
100	Allou Health & Beauty	{ALU/ase}	18Mar93			865.98	8.25	825.00
100	Baker-Hughes wt\$36.75/31Mar95	{BHICW/otc}	2Mar92			222.35	.00	0.00
100	Brock Exploration	{BKE/pse}	25Feb92			153.60	3.50	350.00
100	Chemex Pharma wt\$6/31Mar94	{CHMXL/otc}	4Dec89			82.50	.01563	1.56
2	Chyron	{CHY/nyse}	21Dec89			4.12	.5625	1.13
101	Chyron wt\$.20/31Jan96	{CHYws/mse}	21Jan92			101.00	.25	25.25
200	Gulf Canada Resources	{GOU/ase}	1Dec92			579.85	2.6875	537.50
150	Medical Resource	{MRA/ase}	17Jan92			222.35	1.50	225.00
200	National Enterprises	{otc}	27Nov89			110.00	.04688	9.38
100	Nabors Industries	{NBR/ase}	30Jul93			577.50	6.375	637.50
100	Pride Petroleum Services	{PRDE/otc}	30Jan92			469.85	5.125	512.50
39	Scios-Nova wt\$26.75/30Jun98	{SCIOZ/otc}	19Dec89			165.00	2.00	78.00
100	Smith Intern'l wt\$8.28/28Feb95	{SIICW/otc}	27Dec91			304.85	3.625	362.50
100	Tide West Oil wt\$3/21Jun96	{TIDEW/otc}	17Jan92			71.10	.03125	3.13
100	Unit Corp. wt\$4.375/31Aug96	{UNTEW/otc}	13Nov89			68.75	.3125	31.25

Shrs	Description	Symbol	Bought	Sold On	Sold At	Cost Was	Price	Curr Value
100	Vet Cnters Am wt\$7.20/10Oct96	{VCAIW/otc}	10Mar92			126.10	1.875	187.50
100	Wendt-Bristol Hlth wtA/1May95	{WMDws/ase}	18May92			139.85	.3125	31.25
	CASH					12239.76		12,239.76
	Totals					<u>1047.61</u>		<u>15,233.20</u>

SUMMARY - "Crapshooter's Folly":

Original cost: \$10,817.13
 Present value: \$16,280.81
 Increase: \$ 5,463.38 [50.51%]
 Yield: \$.00 [0.00%]

The performance of this portfolio from January 1987 to the present (adjusted for the dilutive effect of added cash) is +65.84%, for a compound annual rate of return of 6.48%.

COMMENT on "Crapshooter's Folly": There is no change since the last issue.

D. "Discards" - stocks even I have given up on for one reason or another (bankrupt company, too much paperwork, held too long with no profit, corrupt management, or change in personal objectives). This model portfolio includes commissions when I have actually sold my holdings, but does not include commissions when I still own the stock that was

transferred to here from one of the other portfolios. (In the latter situation, I would probably have to PAY the broker to take the stuff off my hands.) I make no claims for the performance of this portfolio; I'm as curious as you are to see how it turns out.

Shrs	Description	Symbol	Bought	Sold On	Sold At	Cost Was	Price	Curr Value
1000	Altex Industries	{otc}	23Dec93			93.75	.09375	93.75
200	Avitar	{otc}	23Dec93			12.00	.06	12.00
500	Breakwater Resources	{otc}	26Jun91			250.00	.09375	46.88
125	Horizon Resources	{otc}	1Dec93			7.81	.0625	7.81
	CASH					172.36		172.36
	Totals					<u>535.92</u>		<u>332.80</u>

SUMMARY - "Discards":

Original cost: \$ 1,266.28
 Present value: \$ 332.80
 Increase: \$ -933.488 [-73.72%]

COMMENT on "Discards": There is no change from the last issue.

E. Fidelity IRA - real portfolio, includes commissions:

Shrs	Description	Symbol	Bought	Sold On	Sold At	Cost Was	Price	Curr Value
92.35	Benham Gold Equities Index Fd .24	[BGEIX/otc]	28Dec94			1050.00	10.73	990.92
32	Berkshire Gas 1.10	{BGAS/otc}	11Apr88			560.00	14.875	476.00
35.32	Bull&Bear Gold Investors	{BBGIX/otc}	30Oct89	28De94	556.64	577.64		0.00
5	CIGNA 10Jul2010cvbd 82.00	{CI.CC/nyse}	12Oct90			3915.00	103.625	5,181.25
100	Freeport-McM Cop&Gold cvpf 1.75	[FCXpr/nyse]	27Dec94			2348.60	23.375	2,337.50
69	Grupo Financiero Serfin S.A. .22	{SFN/nyse}	5Jan95			569.48	6.50	448.50
31	Grupo Financiero Serfin S.A. .22	{SFN/nyse}	11Jan95			212.45	6.50	201.50
203	New Germany Fund .16	{GF/nyse}	20Dec91			1977.50	11.875	2,410.63
40	New Germany Fund .16	{GF/nyse}	8Jun94			476.00	11.875	475.00
3	New Germany Fund .16	{GF/nyse}	17Jan95			36.00	11.875	35.63
200	People's Bank of CT .56	{PBCT/otc}	15Nov89			1690.21	12.375	2,475.00
100	Tuscon Electric Power 1.60j	{TEP/nyse}	4Oct89			2437.21	3.625	362.50
100	Unicom Corporation 1.60	{UCM/nyse}	11Apr88			2728.83	25.125	2,512.50
	Money market					11.77		11.77
	Totals					18,590.69		17,918.69

SUMMARY - IRA:

Original (1983-86) cost:	\$ 8,326.19	
Present value:	\$17,918.69	
Increase:	\$ 9,592.50	[115.21%]
Current yield:	\$ 975.24	[5.43%]

The performance of this portfolio (including its predecessors) from January 1, 1987 to the present is +63.39%, for a compound annual rate of return of 6.28%.

COMMENT on IRAs: As described in the "essay" section this month, I decided to "trade in" my mutual-fund shares of Bull & Bear Gold Investors for Benham Gold Equities Index, adding sufficient cash to meet the \$1000 minimum investment. I also went hunting for something yielding more than the 6% of money-market funds with potential for capital appreciation, and settled on the Freeport-McMoRan Copper & Gold \$1.75 convertible preferred, which was unduly depressed by year-end tax selling and was yielding 7.5% at the time. This preferred is convertible into shares of

the company, not into gold or silver as are some of the other preferreds.... FCX is a growth gold stock, similar to American Barrick Resources a few years ago, and it should do well even if gold prices don't rise too much.

As the Mexican peso went into free-fall, I couldn't stand it.... I went bottom-fishing, and settled on the ADRs of Grupo Financiero Serfin S.A. de C.V., Mexico's third-largest bank. This company has had just about everything go wrong in 1994, with the peso devaluation and incipient Mexican re-

cession delivering the *coup de grâce*. But it is selling at only half of book value and at a recent P/E of 2, so when the politicians do finally put together the Mexico rescue package and people realize the Mexican banking system is not going to go under, the shares should recover nicely. I bought the 100 shares in two odd-lot transactions, which is not very efficient.... the total commission

is about the same as for a round-lot trade with a full-service broker.... but I enjoyed the opportunity to try my hand at computerized trading.

Also shown is the year-end capital-gains distribution of New Germany Fund, which Fidelity automatically reinvests in new shares.

F. CREF Pension plan; I switch between indexed stock/bond/money funds:

Date	Sold	Bought	Date	Sold	Bought
13Mar92	stock @ 56.65	MM @ 13.41	29Oct92	MM @ 13.72	stock @ 58.61
29Apr92	MM @ 13.48	bond @ 31.19	23Dec92	stock @ 61.48	MM @ 13.78
19Jun92	bond @ 32.14	MM @ 13.55	16Jan95	MM @ 14.83	equity-index @ 26.44
29Jun92	MM @ 13.57	stock @ 56.74	20Jan95	eq-index @ 26.19	MM @ 14.84
24Jul92	stock @ 56.76	MM @ 13.61			

Values, 24Jan95: stock, 69.55; eq-idx, 26.24; MM, 14.86

Gain, 1988: 18.91%; 1989: 14.48%; 1990: 8.28%; 1991: 27.93%; 1992: 10.20%; 1993: 3.08%

Gain, January 1 through December 31, 1994: 4.06%

Total gain since January 1, 1988 (7 years): 122.94%

Compound annual rate of return: 12.14%

(My long-term target: in excess of 15%)

Gain shown excludes the impact of additional monthly cash contributions.

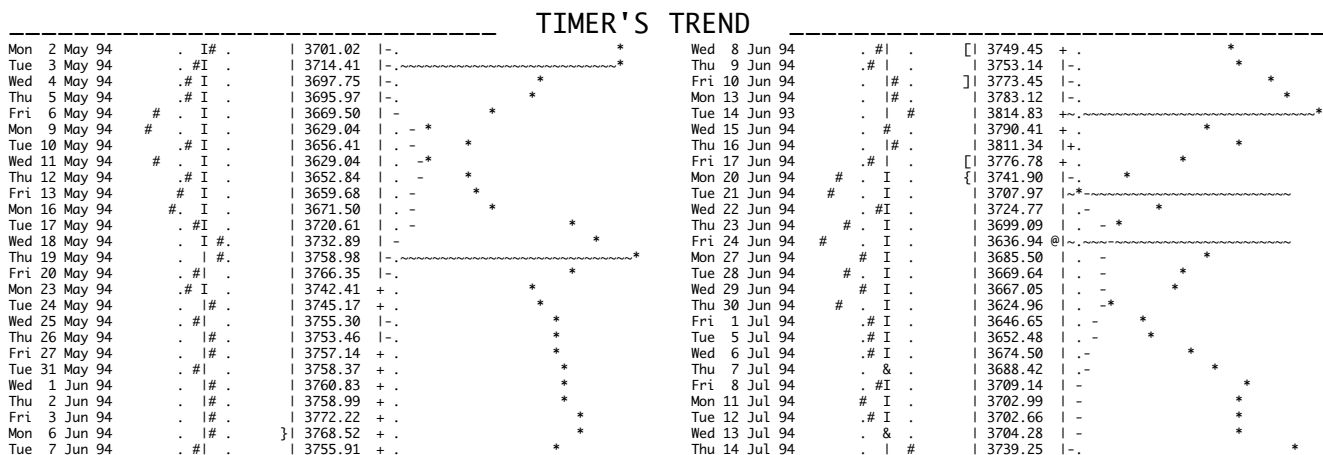
Buying CREF stock on January 1, 1988 and holding it gained 122.54%, for a compound annual rate of return of 12.11%.

G. Current unfilled portfolio good-til-cancelled orders:

GTC BUY - 100 Horsham @ 9-1/8, 200 Manville 1996 warrants (\$9.40 to 5Jun96) @ 1/2.

COMMENT on "Timer's Trend": We are again on a SELL signal given Monday, January 23, after a brief foray into positive territory. I had thought that the "flight to quality" caused by the peso devaluation and sudden turn-off to international investing, plus the extreme levels of pessimism reached in December, might make the "psychology" right for a playable bear-market rally. This

was wrong.... "Timer's Trend" only whipsawed, as it did several times in 1994, and I returned to the safety of cash as soon as it was evident that the signal was a whipsaw (on Friday, January 20). Oh, but cash is so *booring*.... I've been there for more than two years now.... can you blame me for wanting to play a rally, if only for excitement (which I certainly got!)?



Fri 15 Jul 94	. # .	3753.81	-----*	Thu 13 Oct 94	. # .	3889.95	+ .	*
Mon 18 Jul 94	. # .	3755.43	+ .	Fri 14 Oct 94	. & .	3910.47	+ .	*
Tue 19 Jul 94	. # .	3748.31	+ .	Mon 17 Oct 94	. & .	3923.93	+ .	*
Wed 20 Jul 94	. # I .	3727.27	+ .	Tue 18 Oct 94	. # I .	3917.54	- .	*
Thu 21 Jul 94	. #I .	3732.45	- .	Wed 19 Oct 94	. # I# .	3936.04	+ .	*
Fri 22 Jul 94	. # I .	3735.04	- .	Thu 20 Oct 94	. # . I .	3911.15	+ .	*
Mon 25 Jul 94	. # & .	3741.84	- .	Fri 21 Oct 94	. # . I .	3891.30	- .	*
Tue 26 Jul 94	. # I .	3735.68	- .	Mon 24 Oct 94	. # . I .	3855.30	- .	*
Wed 27 Jul 94	. # I .	3720.47	- .	Tue 25 Oct 94	. # . I .	3850.59	- .	*
Thu 28 Jul 94	. #I .	3730.83	- .	Wed 26 Oct 94	. # . I .	3848.23	- .	*
Fri 29 Jul 94	. # .	3764.50	- .	Thu 27 Oct 94	. #I .	3875.15	- .	*
Mon 1 Aug 94	. # .	} 3798.17	+ .	Fri 28 Oct 94	. # . I #	3930.66	- .	*
Tue 2 Aug 94	. # .	3796.22	+ .	Mon 31 Oct 94	. #I .	3908.12	- .	*
Wed 3 Aug 94	. # .	3792.66	+ .	Tue 1 Nov 94	. # . I .	3863.37	- .	*
Thu 4 Aug 94	. # .	3765.79	+ .	Wed 2 Nov 94	. # I .	3837.13	- .	*
Fri 5 Aug 94	. # .	[3747.02	+ .	Thu 3 Nov 94	. # I .	3845.88	- .	*
Mon 8 Aug 94	. # .	[3753.81	+ .	Fri 4 Nov 94	. # . I .	3807.52	- .	*
Tue 9 Aug 94	. # .	[3755.76	+ .	Mon 7 Nov 94	. # . I .	3808.87	- .	*
Wed 10 Aug 94	. # .	[3766.76	- .	Tue 8 Nov 94	. # I .	3830.74	- .	*
Thu 11 Aug 94	. # I .	{ 3750.90	+ .	Wed 9 Nov 94	. # I .	3831.75	- .	*
Fri 12 Aug 94	. # .	3768.71	- .	Thu 10 Nov 94	. # . I .	3821.99	- .	*
Mon 15 Aug 94	. # .	3760.29	- .	Fri 11 Nov 94	. # . I .	3801.47	- .	*
Tue 16 Aug 94	. # .	} 3784.57	+ .	Mon 14 Nov 94	. # I .	3829.73	- .	*
Wed 17 Aug 94	. # .	3776.48	+ .	Tue 15 Nov 94	. # I .	3826.36	- .	*
Thu 18 Aug 94	. # .	3755.43	+ .	Wed 16 Nov 94	. # . I .	3845.20	- .	*
Fri 19 Aug 94	. # .	3755.11	+ .	Thu 17 Nov 94	. # . I .	3828.05	- .	*
Mon 22 Aug 94	. # .	[3751.22	+ .	Fri 18 Nov 94	. # . I .	3815.26	- .	*
Tue 23 Aug 94	. # .] 3775.83	+ .	Mon 21 Nov 94	. # . I .	3769.51	- .	*
Wed 24 Aug 94	. # .	3846.73	+ .	Tue 22 Nov 94	. # . I .	3677.99 @	- .	*
Thu 25 Aug 94	. # .	3829.89	+ .	Wed 23 Nov 94	. # . I .	3674.63 @	- .	*
Fri 26 Aug 94	. # .	3881.05	+ .	Fri 25 Nov 94	. # I .	3708.27 @	- .	*
Mon 29 Aug 94	. # .	3898.85	+ .	Mon 28 Nov 94	. # I .	3739.56	- .	*
Tue 30 Aug 94	. # .	3917.30	+ .	Tue 29 Nov 94	. # I .	3738.55	- .	*
Wed 31 Aug 94	. # .	3913.42	+ .	Wed 30 Nov 94	. # I .	3739.23	- .	*
Thu 1 Sep 94	. # .	3901.44	+ .	Thu 1 Dec 94	. # . I .	3700.87	- .	*
Fri 2 Sep 94	. # .	3885.58	+ .	Fri 2 Dec 94	. # I .	3745.62	- .	*
Tue 6 Sep 94	. # .	3898.70	+ .	Mon 5 Dec 94	. # . I .	3741.92	- .	*
Wed 7 Sep 94	. # .	3886.25	+ .	Tue 6 Dec 94	. # . I .	3745.95	- .	*
Thu 8 Sep 94	. # .	3908.46	+ .	Wed 7 Dec 94	. # . I .	3735.52	- .	*
Fri 9 Sep 94	. # I .	3874.81	+ .	Thu 8 Dec 94	. # . I .	3685.73 @	- .	*
Mon 12 Sep 94	. # I .	3860.34	- .	Fri 9 Dec 94	. # . I .	3691.11 @	- .	*
Tue 13 Sep 94	. # I .	3879.86	- .	Mon 12 Dec 94	. # . I .	3718.37 @	- .	*
Wed 14 Sep 94	. # I .	3895.33	- .	Tue 13 Dec 94	. # . I .	3715.34 @	- .	*
Thu 15 Sep 94	. # .	3953.88	- .	Wed 14 Dec 94	. # I .	3756.29	- .	*
Fri 16 Sep 94	. # I .	3933.35	- .	Thu 15 Dec 94	. # I .	3765.47	- .	*
Mon 19 Sep 94	. # & .	3936.72	- .	Fri 16 Dec 94	. # I .	3807.19	- .	*
Tue 20 Sep 94	. # I .	{ 3869.09	+ .	Mon 19 Dec 94	. # I .	3790.70	- .	*
Wed 21 Sep 94	. # I .	3851.60	- .	Tue 20 Dec 94	. # I .	3767.15	- .	*
Thu 22 Sep 94	. # I .	3837.13	- .	Wed 21 Dec 94	. # .	3801.80	- .	*
Fri 23 Sep 94	. # I .	3831.75	- .	Thu 22 Dec 94	. # . I .	3814.92	- .	*
Mon 26 Sep 94	. # I .	3849.24	- .	Fri 23 Dec 94	. # .	3833.43	- .	*
Tue 27 Sep 94	. # I .	3863.04	- .	Tue 27 Dec 94	. # . I .	3861.69	- .	*
Wed 28 Sep 94	. # & .	3878.18	- .	Wed 28 Dec 94	. # .	3839.49	- .	*
Thu 29 Sep 94	. # I .	3854.63	- .	Thu 29 Dec 94	. # .	3833.43	- .	*
Fri 30 Sep 94	. # & .	3843.19	- .	Fri 30 Dec 94	. # .	3834.44	- .	*
Mon 3 Oct 94	. # I .	3846.89	- .	Tue 3 Jan 95	. # .	3838.48	- .	*
Tue 4 Oct 94	. # I .	3801.13	- .	Wed 4 Jan 95	. # .	3857.65	- .	*
Wed 5 Oct 94	. # I .	3787.34	- .	Thu 5 Jan 95	. # .	3850.92	- .	*
Thu 6 Oct 94	. # I .	3775.56	- .	Fri 6 Jan 95	. # .	3867.41	- .	*
Fri 7 Oct 94	. # I .	3797.43	- .	Mon 9 Jan 95	. # .	3861.35	- .	*
Mon 10 Oct 94	. # & .	3821.32	- .	Tue 10 Jan 95	. # .	3866.74	- .	*
Tue 11 Oct 94	. # I .	3876.83	- .	Wed 11 Jan 95	. # .	3862.03	- .	*
Wed 12 Oct 94	. #I .	3875.15	- .	Thu 12 Jan 95	. # .	3859.00	- .	*
				Fri 13 Jan 95	. # .	} 3908.46	- .	*
				Mon 16 Jan 95	. # .	3932.34	- .	*
				Tue 17 Jan 95	. # .	3930.66	- .	*
				Wed 18 Jan 95	. # .	3928.98	- .	*
				Thu 19 Jan 95	. # .	3882.21	- .	*
				Fri 20 Jan 95	. # .	[3869.43	- .	*
				Mon 23 Jan 95	. # I .	{ 3867.41	- .	*
				Tue 24 Jan 95	. # .	3862.70	- .	*

{, } = "Timer's Trend" (4% and 10% exponential) SELL (}) or BUY (}) signal
 [,] = 4% exponential change unconfirmed by 10% exponential (not a signal).
 @ = market overbought or oversold. I or & (on baseline)=10% exponential SELL.

NEXT ISSUE - will appear about February 10.

/Nick Chase

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