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Stocks are looking up for '91

'January effect' signals growth

By **Stephen Britton**
 Staff Writer

If the stock market's "January effect" legend holds true this year, investors could be in for double-digit returns on their stock holdings, according to one local money manager.

Stock performance during the month of January is often used by investors as an indicator of what the rest of the year will bring. And, so far this year, the Dow Jones Industrial Average, an index of the 30 largest stocks, has risen nearly 4 percent at yesterday's market close of 2736.38, up from 2633.66 at the start of the year.

"It's just the beginning of what I think will be a very good year for the market," said Gabriel Gibbs, who manages the Volumetric Fund, a mutual fund with \$5 million in assets, from his Pearl River home. He is a strong believer in the "January effect."

Gibbs pointed out that the 7.5 percent increase in the Volumetric's net asset value is its third best January since it was started in 1978.

The record January for the fund

was in 1985, when it leaped 10.7 percent and finished the year with a 31.9 percent return. Its second best January occurred in 1980, when the fund's value rose 8.2 percent and finished the year with a record 37.5 percent return.

The theory behind the "January effect" has been bandied about by stock brokers for decades. It has been also been the subject of at least one book, "The Incredible January Effect: The Stock Market's Unsolved Mystery," by Robert Jaeger and Joseph Lakonishok, published in 1988.

While no one has come up with scientific proof showing that a strong stock performance during the first month of the year means a strong finish, there are many theories.

A popular theory is investors sell their battered stocks as a tax write-off. After 30 days they can repurchase the same stocks, often at the depressed price. This often occurs in January.

The influx of money can cause a rise in the market. Another belief is that the euphoria about the start of a new, and possibly prosperous year, can make investors buy stocks.

Last year, the stock market was flat during January and the Dow Jones Industrial Average finished with a 14 percent below 1989. The

first decline since 1982.

However this year, the "January effect" may be deceptive. Several stock brokers point out that the Persian Gulf War has been a big factor in driving the market.

"I think the January effect is a very real statistic," said Donald Rosen, a broker at Churchill Securities in Suffern. "But I also think that if there was not a war going on this year the market would be terrible."

Robin Battacharia, a broker with the Prudential-Bache Securities office in New City agreed. He added that the market had already been discounted in the months before the war, by investors selling their stocks believing the war would have a harmful affect on the economy.

"I think there is a lot of opportunities out there," said Battacharia, who has been advising clients to purchase stock in the drug makers, Bristol Meyers-Squibb and Warner Lambert.

Analysts on Wall Street said investors continue to take a positive view of the progress of the war in the Persian Gulf.

Another primary force behind the market's recent advance has been a series of economic reports suggesting that the recession might not turn out as long or be as severe



Diane Stevenson

Gabriel Gibbs, who manages the Volumetric Fund, based in Pearl River, is a strong believer in the 'January effect.'

as had been feared.

Those hopes were buttressed Wednesday by the Commerce Department's report that the index of leading economic indicators rose 0.1 percent in December, ending a run of four consecutive monthly declines.

Still, at least one broker believes this isn't the time to jump in and buy stock.

"In this market, you have to be very cautious," said Andy Winning, a broker with the Merrill Lynch Securities office in Bardonia. "I personally don't think the market is going to make a major run until the war is over."

"If you can put the war aside for a moment and look at the economy, you can see that it has not rebounded."