TABELL'S MARKET LETTER

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Some day---perhaps we will consider it ourselves as a retirement project---someone is going to write a book with a title on the order of "The Language of Wall Street". One of the more charming characteristics of the financial industry has always been its passion for coining original words or phrases to refer to its own activities.

This practice antedates, by many years, the emergence of a securities market in the United States. Consider, for example, the origin of those most familar of Wall Street terms, "Bull" and "Bear". The Oxford English Dictionary notes that the latter term, at least, was common at the time of the South Sea Bubble. It goes on to say, "The term 'bearskin jobber' then applied to the dealer now called the 'bear', makes it probable that the original phrase was 'sell the bearskin', and that it origniated in the well-known proverb 'To sell the bear's skin before one has caught the bear'". The OED is less specific on the emergence of the opposite term, but it is, at least, a reasonable guess that it derives from the then-current practice of pitting the two animals together in a fight, thus creating an obivous antonym for the figurative bear.

More than a few financial terms go back that far. The term "bankrupt", for example, derives from the fact that Venetian money changers occupied benches around a central square, and it was customary, when such a dealer became insolvent, to break his bench. "Banca Rotta", the Italian for "broken bench", was ultimately incorporated into English as "bankrupt".

Many financial terms in common use today originated in the early part of this century. Apparently, the mysterious phrase "the interests", or the equally mysterious "they", came into being during that period when "they" were busy manipulating stock prices. More colorful terms also became common. "Pulling the plug" referred to what took place after market manipulators had finally distributed the last least of their holdings in a given stock. Equally colorful was the term "bucket shop", used to describe a broker-dealer whose practice it was to accept customer orders for securities but not to execute them. A fascinating sidelight to this practice was that many bucket-shop operators, who were effectively betting against their customers, were, in fact, quite successful. This was probably an early manifestation of the principle that the small, unsophisticated investor was likely to lose money. For technicians, this led to the tabulation and interpretation of odd-lot statistics and a whole host of other indicators which later emerged under the general classification of "sentiment indicators". The common belief behind all such indicators is that there exist classes of market participants who tend to be wrong at major turning points. One such participant, we regret to report, apparently is the market-letter writer, since there exists a very successful indicator based on the opinions of these pundits, who tend, as a group, to be bullish coincidentally with market tops and to display maximum bearishness near important lows.

Colorful terms have, of course, continued to be coined right up to the present. "Gunslinger" came to be used in the 1960's to denote an aggressive portfolio manager. (The words "aggressive" and "defensive" as cliches to apply to money managers are also of fairly recent origin, arriving from the academic world, which has, of late, become an important contributor to financial jargon.)

The current takeover boom has, of course, supplied its own colorful terminology. The stock of a company subject to a takeover is said to be "put in play". The first reaction of its officers is generally to provide themselves with a "golden parachute", and , if possible, forestall the takeover with a "poison pill". If all of this fails, the company may seek out a "white knight" who is willing to make a higher bid and, not coincidentally, retain the current management.

Many financial terms are, unfortunately, misuses of perfectly valid English words. Consider "arbitrage", used to describe the practice of speculation on takeovers. For a short while, this practice was called "risk arbitrage" which is, of course, an oxymoron. The usage sanctified by the years for the word "arbitrage" has been to describe a riskless transaction which takes advantage of price differentials between two markets by the the simultaneous buying and selling of a security in the different locations, Thus the "arbs", who now face problems a good deal more serious, can also be accused of corrupting a perfectly good word. Interestingly, a new phrase, "program trading", has had to be coined to identify what is, properly, an arbitrage transaction.

As noted above, academia has contributed a number of phrases, one of the most widely spread of which is "beta". This, of course, is properly a mathematical term (such terms, for some reason, are often Greek) used in a process called regression analysis. By this time, the lay investor knows all he needs to know about the term---that a high beta denotes a volatile stock and a low beta indicates one likely to be less risky.

We once noted in this space that one of the more attractive characteristic of the English language is its richness. Our own industry, happily, makes its own small contribution to that richness by the new usages it has brought to the language.

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AWT:ebh

Dow Jones Industrials (12:00)	2242.46
S & P 500 (12:00)	282.64
Cumulative Index (5/21/87)	3604.13