

What the ... of Summer Sensed

As stocks soared, just before the plunge, a few analysts saw signs crying 'sell.'

By LESLIE WAYNE

LAST August, when the weather was hot and stocks were high, Edward M. Kerschner, an investment strategist at PaineWebber Inc., felt that something was wrong. With the precision of a seismograph, Mr. Kerschner's indicators showed the stock market was headed for a fall. To his clients, he issued a warning: "Stocks are now unattractive for the first time since 1984."

That same month, Samson Wang, president of Beacon Capital Management, became troubled by the growing trade deficit and started selling stocks — by the hundreds of millions of dollars. By Oct. 11, Elaine Garzarelli, a money manager at Shearson Lehman Brothers, became so convinced of impending doom that she sent a special alert to a thousand institutional clients: "Then we just waited," said Ms. Garzarelli, "and 'boom' that was it."

This fortunate band — along with many others, known and unknown — were able to stay one step ahead of the stock market's recent collapse. They may not have pinpointed the exact time or the magnitude of the fall, but they took a bearish stance at a time when the



Wise Man of Wall Street

Meet Samson Wang, who saved his clients millions by pulling out of the market before Black Monday.



In the world of money management, Samson Wang is a "hero of October." President of Beacon Capital Management, a wholly owned subsidiary of the Bank of New York, the 43-year-old Wang oversees the investment of some \$800 million for tax-exempt pools and for individuals. Before noon on October 19, 1987, Wang had moved his clients—including such organizations as Dow Jones, the Andrew W. Mellon Foundation, and the Children's Aid Society of New York—safely out of the stock market to 100 percent in cash. At the end of that month, his portfolios were up 15 percent to 25 percent for the year. Summing up his investment strategy, Wang observes: "We are value investors when we're positive on the market. In bear markets, however, we're out."

Termed a "committed bull" back in January 1985, Wang became an avowed bear last August, citing the Federal Reserve Board's tightening of the money supply and rising interest rates. He began to move his clients out of the market, and continued to sell throughout September. By the Friday before the crash, he was convinced a major collapse was imminent. He expects to remain fully on the sidelines for the duration of the bear market.

Wang began his career on Wall Street as a security analyst with Kidder, Peabody, after earning a BA from Yale University and an MBA from Columbia University. He later joined the Bank of New York, becoming chief equity strategist and director of research. In 1983, he founded Beacon Capital. His group of portfolio managers has posted a strong record, with Beacon's composite equity portfolio up 16.7 percent for last year, and up 25.5 percent for the three years ending in 1987.

Wang doesn't hide his dismay over the recent turn of events on Wall Street. A direct person with an engaging manner, he says the bear market has been personally difficult for him: "I'm an optimistic person by nature. I hate bear markets." As dusk fell over New York City on the four-month anniversary of the crash, Sam Wang sat in his 85th-floor office at the World Trade Center and discussed his worries about the economy and the stock market with CFO contributor Beth McGoldrick.

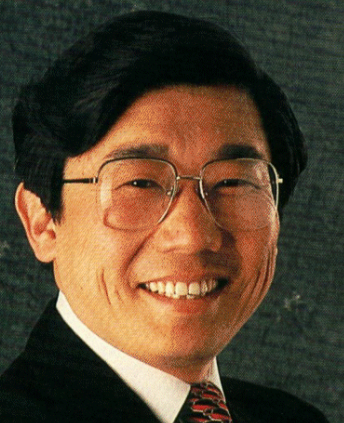
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MODEL PERFORMER

Sam Wang explains the early warning system that got him—and his clients—out of the market in time.



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