

The Strange Case Of Baldwin-United

**Portfolios heavy
with
under-
performing
stocks almost
never
outperform the
market.
Ignat's Law**

**Hot growth stocks are
usually the result of a
fad on Wall Street.**

**I use the long-term
P&F charts to tell
when the fad is ending
or has stopped
altogether.**

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Very few investors today even remember a company called Baldwin-United or its sudden and devastating collapse, but it holds a special meaning for me. I was following the stock closely at the time because a good friend had asked me to watch it for him. I'll call him Jack, but that is not his real name. Jack was a senior officer of one of Baldwin-United's financial subsidiaries and he owed a sizable amount of stock in a retirement account, so it was very important to him.

In the early 80's, I had to post my long-term point and figure charts by hand from the quotation pages of the Wall Street Journal. I kept up hundreds of charts and I posted them faithfully, every single day.

I have forgotten the ticker symbol for the stock so I'll use BLD as a make-believe symbol. BLD was a hot growth stock in the financial conglomerate sector at that time. It had been a relatively sleepy, but well run piano manufacturer in Cincinnati, Ohio, that expanded into the financial services industry through the acquisition of a major bank and an S&L company here in Colorado.

While posting my P&F charts, I noticed a major top starting to form on BLD and I alerted my friend Jack to the potential downturn in the stock. I had been involved in the market and with P&F charts long-enough to know that when a popular growth stock traced out a broad top, that serious trouble was probably ahead. The top broadened almost daily and started to show serious distribution taking place

in the stock. I met with Jack for lunch and I showed him my chart and why I was so concerned about the stock. I recommended that he sell the stock. He thanked me for my input, but I could tell that he was somewhat skeptical about selling the stock.

A month or more passed and the top just continued to get worse. I looked at it every day and I couldn't get it out of my mind. I called Jack on the phone to ask if he had made the sale of the stock. He indicated that he sold half of his position. I strongly recommended that he sell it all. The stock was trading in the middle to high 40's at the time and was still only a few points off its high. That was the last time we discussed the stock.

A few months later the stock started to decline in a nasty downtrend that was gathering momentum on the downside. The actual facts of the situation were still quite murky and I didn't know the specifics about what was going wrong fundamentally, but I believed something very bad must be happening with the company.

The stock had now fallen by more than 50% from its high but it was still going down. Now there started to be wild rumors on the street about the company. The stock just kept going down in a relentless downtrend. I don't remember the price of the stock when BLD filed for bankruptcy but it is fair to say that the stock had turned into a complete disaster.

Some time later, I learned that Jack did, in fact, sell his remaining stock and he escaped a very bad situation in good shape.

The top on the P&F chart had clearly shown the distribution in the stock in plenty of time to avoid the disaster. I was very pleased that I had been able to help out a good friend and the experience just reinforced my belief in the P&F charts. There have been many more similar experiences along the way since the early 80's.

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