MARKET COMMENTS

April 2000

The stock market in the U.S. has been undergoing a correction over the past month. Here is the data on the magnitude of the declines for the various market indices:

Index	**Peak**	**Date**	**Trough**	**Date**	**%Decline**
DJIA	11750	1/14/00	9731	3/8/00	-17.2%
S&P 500	1553	3/24/00	1416	4/4/00	-8.9%
Russell 2000	614	3/10/00	464	4/4/00	-24.4%
Nasdaq Comp	5132	3/10/00	3649	4/4/00	-28.8%

The effect of the correction is to level the YTD returns for the various indices. Here are the YTD returns for these indices through April 4, 2000:

Index	**YTD Return**
DJIA	-2.5%
S&P 500	+2.0%
Russell 2000	+0.5%
Nasdaq Comp	+2.0%

The question after a selloff like this is whether it represents a correction or a beginning of a bear market. The evidence suggests this has been a short, vicious correction.

1) **Historical Context**- The Nasdaq composite has been the best performing index over the past year. It also dropped the most in this correction. The Nasdaq has had 9 corrections of 20% or greater in the last 30 years. This one ranks as the fourth most severe, only exceeded by corrections in 1974, 1987, and 1990. With the exception of 1974, each of these corrections represented a major buying point.

2) **Probable Reason for the Decline –** Speculative activity had become very high. Valuations on companies with little or no earnings had reached levels that were absurd. Public participation in these companies had reached unsustainable levels.

3) **Margin Calls**- Margin debt has exploded over the past six months. Most likely many of these new borrowers were relatively unsophisticated. Margin calls are the most reliable indicator of a market bottom that we know. Margin calls are the ultimate forced, blind selling. On Tuesday, 4/4, margins calls were 3-4 times normal volume. Normally margin calls are sent out at 11:00 AM EST; this was coincident with the lows of the market on Tuesday. Margin call activity clearly peaked on Tuesday.

4) **3 Down To 1 Up –** On Tuesday there were three stocks closing down for every one that was up. At the midday lows there were virtually no stocks that were up. This is coincident with market bottoms.

5) **High Volume** -Volume was very high on

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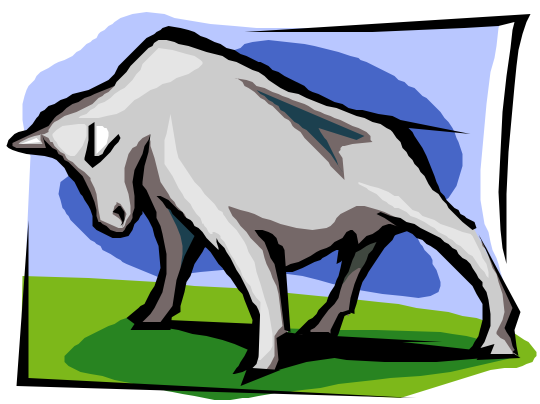
Tuesday. Nasdaq volume was a record 2.88 billion shares. This was almost three time's normal average volume. This is consistent with a selling climax.

Conclusion

A vicious correction ended last Tuesday. There were many losers, primarily those investors who suffered margin calls.

After a correction as violent as this one, markets rarely repair themselves right away. While most stocks do not go to new lows, the markets remain shaky until investor confidence slowly returns.

By neutralizing many of the excesses that were building in the market, corrections such as this one extend the life of the bull market.



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