

# College Students Eye Stock Market 'Gaps'

Thirty-five students at The University of Michigan are keeping a close eye on "gaps" in the stock market.

The students are members of Prof. Wilford J. Eiteman's class in investment management in the Graduate School of Business Administration.

The interest in gaps has been heightened by the occurrence of two recent gaps—the first in June and the second only last Monday.

SIX OF THE class members have conducted a long-term study of the gaps in the market. They first learned that a stock market gap occurs when the price spread of the Dow Jones Industrial Average (or any other accepted index) does not touch or overlap the price spread of the previous day.

For example, if industrial averages vary from 506 to 507 on one day, and from 508 to 510 on the subsequent day, there is a one-point gap between 507 and 508.

Gaps occur infrequently. Only 14 gaps can be found in the Dow Jones Industrial Average during the entire decade of the 1950's.

Two gaps have occurred recently—the first on June 27 at the 540 level, and the second on October 29 at the 574 level.

The most significant feature

about gaps, according to the theory, is that they must be closed. Thus if a gap occurs in a rising market, the Dow Jones Industrial Average must decline to the low point of the gap within a reasonable period of time.

Neither of the recent gaps has yet been closed.

For the theory to stand up, the Dow Jones average must decline to 573, according to the latest gap, and to 540, according to the June gap.

The six graduate students who are making this study of gaps have uncovered some interesting facts. They found that, of the 14 gaps during the 1950's, 13 were closed, although two of them required more than 250 days to complete that closing.

Professional "gappists," they learned, would excuse these three failures because they were "break-away" or "exhaustion" gaps—special forms that are easily recognized by close observers of the market and forms that are considered exempt from the closing principle.

FOR THE other 11 gaps, the students found that closing was affected in between one and 147 days.

In an earlier study of gaps, Eiteman found that, prior to 1950, about 85 per cent of all gaps were closed within a month. When shown the findings of his student's recent study, he had a word of caution for them.

Said Eiteman: "The only safe way to double your money in such a short period is to fold it over once and put it back in your pocket."

The six students making the gap

study are Paul Lay, Detroit; Richard Westwood, St. Clairsville, Ohio; Marvin Kruger, Chicago, Illinois; John Peoples, New York, N.Y.; James Kearney, 4165 Orchard Way, Birmingham; and Don Conlan, Oak Park.

## A Navy Man

Edward A. Elsarrell, Jr., son of Mr. and Mrs. Edward A. Elsarrell, of 31200 Eastlady, Beverly Hills, is undergoing nine weeks of basic recruit training at the Naval Training Center, Great Lakes, Ill.

## In Training

David C. Bird, 1120 Lyonhurst, Birmingham, began six months of active duty training on November 3 at Fort Knox, Kentucky. After his return, Bird will resume his military training with the 830th Regiment in Detroit.

## A Lady Sailor

Navy Wave Sharon L. Carroll, seaman apprentice, daughter of Mrs. Jennie E. Carroll of 1990 Birmingham, Blvd., Birmingham, is serving at the Naval Air Facility, Washington, D. C.

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## PEOPLE'S COLUMN

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(Continued from 1-B)

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A Neighbor

### Believes Office Use Is Best

To the Editor:

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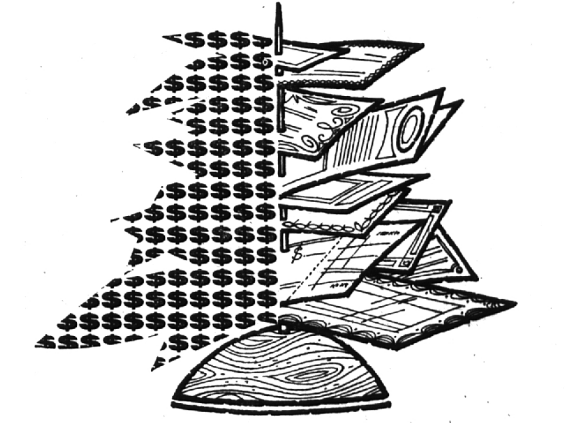
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