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Investment Outlook

P I M C O

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Ticker Tape Charade

*I went home from my busyness and later to dream
that on a street named Wall there were miles of ticker
floating like a river with no end;
stocks nurturing new business,
funding fresh ventures yet ultimately awash
like flotsam – trading endlessly between random hands,
signifying little beyond this or that turn of the cards,
beating the Street for now, yielding to it thereafter.*

*For the market's magic consisted primarily of hope –
a smiling phantom this,
such that whoever reached for it touched only meager dividends
and eventually plead with not a small amount of guile
"take these shares off my hands at higher prices,
oh future generation of players.
You are my salvation, my pawnbroker,
my source of ephemeral wealth."*

Ok, so I'm no Robert Frost. Still, it's a lot easier to write a poem about a neighbor's fence or a snowy meadow than the stock market. If Frost had thrust his quill in the direction of Wall Street, perhaps he would have become "onomatopoeia" challenged just like yours truly. But "Ticker Tape Charade" is about as close as I'll ever come to waxing poetic and so I like it. It's sort of like my wife Sue's recent interest in painting. Seeing a *New York Times* article on a \$15 million Picasso sold at Sotheby's, she exclaimed "I can do that for \$29.95!" The Earl Scheib of modern art, I guess. And so she did. Her paintings now adorn the walls of our kitchen and will soon spread like the Mad Cow into our living, family, and bedrooms before it's all over.

They're not Picassos, but they're good and she likes them. Same thing for me. It's not Frost, but it's good and I like it.

Perhaps more importantly, my poetic "Charade" makes a point – a controversial one I'm sure – and one that most naturally would be made by a curmudgeonly bond manager such as myself. The point, quite simply, is that equities as an asset class are not all they're cut out to be. While their issuance via IPO and secondary distributions facilitates and indeed fertilizes economic growth, their value in recent decades have depended less on the cash flow an investor received via dividends and more on a succession of gullabaloos who believe that stocks always go up.