



The Stocks That Survived 1929

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Coca-Cola [KO 41.01 ▼ -0.60 (-1.44%)], Archer-Daniels [ADM 17.88 ▲ 0.35 (+2%)] and Deere [DE 29.89 ▼ -0.47 (-1.55%)] should like this history lesson.

Even poor students of history know it never exactly repeats itself, but we all have been scratching the past for clues to guide us through the current harrowing times. So here's a historic analysis I think you'll find particularly interesting.

Think back to 1929, and you immediately think stock market crash. Ouch. Ok, that's similar to now. Next, think ahead two years into the future (that would be 1931). By analyzing stock performance, you'll see an interesting picture of investor behavior. Michael Painchaud, Director of Research and Principal at Market Profile Theorems did just that and he thinks some of these lessons are still relevant.

Painchaud looked at stocks as they made new highs after the 1929 crash. All three of those NYSE-listed stocks mentioned above were on a list of stocks that made new highs within two years of the 1929 crash. The 1929-'31 list, attached below, contains some other names you will know -- Federated Department Stores and U.S. Steel. There are others you maybe never heard of (Raybestos-Manhattan?), and some you'll be surprised by (Exchange Buffet, a vending machine cafe).

There's a heavy representation of food companies, industrials and manufacturing. Three movie companies made it too, and some old reliable utilities. You will notice that financial companies did not make the list.

"The lesson is obviously that investors had gone very defensive. Firms which tended to provide products and services which were at the very basic level of the economy did well, and there wasn't too much room for anything else," he said. But I note they bought entertainment names, too. (Do movies then = iPods, HDTV, and videogames now?)

Also, Coke wasn't the defensive name it is now. You have to assume it was more about growth.

You'll also note that there are quite a few preferred stocks. It makes sense, Painchaud said. "It's part of a very conservative investment view, and buying yield is a hedge," he said.

There are three miners, but Painchaud points out they are not defensive gold plays as you might think. "They were producing silver. It very well could have been the world was stockpiling silver for munitions for the coming war," he said.

So what about now? There was no technology-laden Nasdaq index in 1929, and Painchaud notes the biggest tech company of the time, RCA, didn't make his list. But I wondered if — as the 1920s clearly still showed the strains of America's move to an industrialized nation from a more agrarian one — could we compare that era to our transition to the high-tech era (using the 1980s lexicon)? Could tech names be the equivalent of some of the industrial names on Painchaud's list?

He agreed with my theory, but added that the tech names that are most basic may be the ones that recover first. If you use the lesson of 1929, he says you would conclude semiconductors might be on the list. That also correlates with something else he's seeing in his research: "In terms of insider activity, the semiconductors look like a buy as a group."

History doesn't always repeat itself. Your ETF wasn't there in the 1930s, and your broker wasn't putting his orders through on a computer... but some of the same psychology seems to be at work.

Painchaud's 1929-'31 list:

(divided by industry)

Construction Materials

U.S. Gypsum

Raybestos-Manhattan

Consumer Discretionary

Bulova Watch

Consumer Products - Tobacco

American Tobacco "B"

Liggett and Myers "B"

Electrical Transmission

American Superpower

Energy/Oil

Standard Oil Co. (NJ)

Entertainment

Columbia Pictures

Paramount Pictures

Loews

Food Processors

Archer-Daniels Midland

Coca-Cola

Corn Products Refining \$7 pfd

International Salt

Libby, McNeill and Libby

Swift International

Industrial

American Machinery Foundry

Warren Foundry and Pipe

General Refractories

U.S. Steel

National Can

Vanadium Corp. of America

New Jersey Zinc

Novadel-Agene

Worthington Pump

Superheater

Continental Diamond Fibre

Machine Tools

Bullard Co.

Manufacturing

Foster Wheeler

Thatcher Manufacturing

Ingersoll-Rand

Deere and Co.

American Chain and Cable

Mining

Lake Shore Mines

Dome Mines

Homestake Mining

Conglomerate

Atlantic Gulf and Western Industries Pfd.

Electrical Wiring

Driver-Harris

Restaurants

Exchange Buffet

Office Equipment

Addressograph-Multigraph

Oil Field Equipment

Dresser Industries

Pharmaceuticals

Sharp and Dohme

Publishing

Curtis Publishing \$7 pfd

Real Estate

Equitable Office Building

Texas Pacific Land Trust

Retail

Federated Department Stores

Transportation RR

Missouri-Kansas-Texas

Missouri-Kansas-Texas pfd

N.Y. Chicago and St. Louis pfd

Utilities

Electric Power and Light

American and Foreign Power \$7 pfd

American Power and Light \$5 pfd

Electric Power and Light \$7 pfd

Questions? Comments?

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