

THE NIFTY FIFTY & THE TRAUMA OF THE BEEP

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I was hired as a trust administrator at the Vermont National Bank in November of 1970. The market was doing well and life was pleasant. Fortunately, I was not prone to managing portfolios, but my supervisor was a skilled manager who knew how to manage risks.



He was also a fan of the Nifty Fifty. “Nifty Fifty” was the term we used in the ‘60s and ‘70s as a description of a stock portfolio consisting of fifty popular large-cap stocks on the New York Stock Exchange. They were regarded as solid “buy and hold” “blue-chip” growth stocks and were credited with the bull market of the early 1970s.

NIFTY 50

Stock of the nation

As the end of 1972 approached, my supervisor changed. My new boss appeared to be a devotee of the Nifty Fifty as well, and I simply expected another year of growing portfolios and those smiling neighbors who were our clients. In my new and growing comfort zone, somehow I was able to find a device installed by a local broker that would alert us to a change in the value of securities that we held with the broker. The

device would simply beep whenever a specific security would increase or decrease in value by 5%.

Then the device starting beeping. It was the start of the year 1973. Whenever I would hear the beep, I would check the device and one of our stocks just went down. For the next two years I would only hear negative beeps. The trauma of the market started on January 11, 1973 and ended on December 6, 1974. During this two year period, the New York Stock Exchange’s Dow Jones Industrial Average benchmark (the “Dow”) lost over 45% of its value. The Nifty Fifty did worse. The Dow’s recovery was a very long recovery and did not reach its previous high until 1982. As I recall, I returned the beeper to the broker sometime in the mid ‘70s. Should I have returned the beeper? Yes. Beepers don’t match long-term investing. On December 31, 1982, the Dow was 1046.54. On December 31, 2019, the Dow was 28,538. I would have encountered many years of positive beeping. It is simply a distraction. Long-term management is best suited in a beepless and quiet room, devoid of distractions.

