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STOCK MARKETS

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Stockbrokers and investment advisers spent Wednesday reassuring customers that the destruction near Wall Street won't mean the demise of their investment portfolios.

"Short-term events like what occurred yesterday should not affect your long-term investment plan," said Mark MacQueen, executive vice president of Austin's Sage Advisory Services Ltd., which manages $1.8 billion for mostly institutional investors. "Panic selling is usually not rewarded."

Although the New York Stock Exchange, American Stock Exchange and Nasdaq will not reopen for trading until Friday at the earliest, investors already have begun wondering how the destruction of the World Trade Center -- which housed administrative branches of many brokerages and investment banks -- might affect their portfolios, which already have suffered dramatic losses this year from the stalling economy and poor corporate profits.

Throughout the day, brokerages counseled investors to remain calm and not sell off significant portions of their stock portfolios to escape the markets.

Consumers also were cautioned not to dump their investments in favor of buying gold, which usually goes up in value during times of world crisis.

"I wouldn't recommend gold. Gold is always elevated by crises like this. The long-term return on gold is not good," said Lacy Hunt, an economist at Hoisington Investment Management Co., an Austin investment firm.

"I wouldn't recommend anything hasty. Now is the time for prudence and caution," Hunt said.

Although the government bond market is expected to open this morning, stock trading won't resume until at least Friday.

Analysts say the markets could lose a large percentage of their total value when they open -- perhaps more than 10 percent -- on fears of more terrorist action, uncertainty in foreign markets and threats of a global recession.

It's tempting for individual investors to believe they can place an order to sell stock before the market opens and prices start to fall.

But realistically, individual investors are not likely to get their trades placed before institutional investors -- such as mutual funds, insurance companies or large pension funds -- which means that consumers could lose a significant amount of money.

Also, trades could be affected because many brokerages lost employees and computer systems in the World Trade Center collapse.

Executives at the stock exchanges vowed Wednesday they would not open until normal trading was possible. The physical damage to the firms will be overcome using backup offices and computer systems; the psychological impact is harder to assess. It's unclear whether that may make it harder for trades to be made at their usual volume.

Even if an investor placed an order to sell near the closing price of a stock, the traders who place it may not be able to find a buyer at that price and could sell it for far less.

"This idea of having orders in at the opening . . . they will probably get worse executions in the market. Don't think you're getting out before the crowd," MacQueen said.

Historically, the stock markets have experienced severe drops in the days following disasters -- whether natural or man-made. But markets have always recovered.

On Nov. 22, 1963, the day President John F. Kennedy was assassinated, the markets dropped 3 percent. But within 18 weeks, the markets rebounded and the Dow Jones industrial average posted a gain of almost 21 percent. When the United States entered the Gulf War in December 1990, the markets dropped almost 5 percent. But less than a month later, the market was up 17 percent.

"Almost everyone who sold in October 1987 (when the stock markets lost 34 percent of their value) left a lot of money on the table because the market bounced back and went on to historic highs," MacQueen said. Indeed, within two months of the 1987 crash, the market had rebounded by about 11 percent.

But there is added uncertainty to this market reopening.

The stock markets' current slump has lasted more than a year, and Tuesday's attack was on a different scale than many Americans have ever seen.

"The temptation is to try to look back in history and find something like this," cautioned Keith Brown, a professor of finance at the University of Texas.

"Unlike the Oklahoma City bombing or Pearl Harbor, this particular action wiped out or severely damaged the financial trading infrastructure in ways that we've never seen before," Brown said. "I'm not sure anyone can look you in the eye and tell you what's usual anymore."

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