"The public have been exceptionally heavy stock buyers recently — a very poor sign; the same is true for foreign buying," says Martin Zweig's The Zweig Forecast (PO Box 360, Bellmore, NY 11710, 17 issues, $245, hotline 11/13/89). "Our sentiment composite is mediocre, our tape indicators are negative, and the market is overvalued. Our intermediate-term trend indicator is bearish. Our short-term trend indicator is negative, but close to turning up. The gold model, however, is positive. In addition, our bond model remains bullish. Overall, the indicator situation as well as the outlook for the economy are not up to snuff. So I'd rather be conservative at the present time."

"If I had to pick one industry group in which the trend towards takeovers and consolidation is most pronounced, it would be the retail jewelry industry," says Charles LaLoggia (Special Situation Report, PO Box 167, Rochester, NY 14601, 17 issues, $230, 11/3/89), who picks four takeover candidates in the sector. Two — Barry's Jewelers (BARY 10 1/4 OTC) and Reeds Jewelers (REED 7 3/4 OTC) — are both thinly-traded and have risen sharply in recent trading. Tiffany (TIF 48 7/8 NYSE) is also selected for its takeover potential. But the prime takeover candidate in the jewelry area, according to LaLoggia, is Kay Jewelers (KJJI 15 1/2 NYSE), the largest public jewelry company, operating 488 stores in 33 states. "Kay's long-term chart shows a major technical breakout at 15-16. At current levels, the stock is trading for roughly 50% of what it might be worth in a takeover. We estimate that Kay has a takeover value of $25-30 a share. And, given recent takeover prices in the industry, Kay could be worth as much as $35 per share."

"Walter Schloss, who studied and worked under the legendary Benjamin Graham, was called one of the 'super investors' by Warren Buffett; over the past 33 years, funds under management by Schloss have averaged 21.6% annual gains, compared with a 9.8% average return from the S&P 500," notes the Insiders Transactions Report (PO Box 1145, Costa Mesa, CA 92628, monthly, $190, 11/89). "Schloss looks for cheap stocks with very little risk. After not seeing a 13D filed by Schloss in some time, we were very interested in two recent filings. Schloss bought 189,000 shares of Scan-Optics (SOCR 2 3/8 OTC) between July and September at prices ranging from $2.23 to $2.95 a share. The firm makes optical character recognition equipment. The issue sells at a discount to its $4.83 per share book value. Schloss also bought 273,000 shares of Knogo (KNO 13 1/4 NYSE) during the same time period at prices ranging from $13.17 to $15.33 a share. The firm is a leading maker of anti-shoplifting systems for retailers. The company has no debt and sells for close to its $13.11 book value."

"In spite of the generally bullish readings from our stock market indicators — which suggest that the trend of prices is still up — we urge equity investors to maintain a cautious posture," says L. Anthony Boechl's The Bank Credit Analyst (3463 Peet St., Montreal, Quebec, Canada H3A 1W7, monthly, $59: 11/89). "Core stock market positions should be maintained by only in high-quality, low-debt companies which have good prospects in what we believe will probably be a disinflationary environment over the next two to three years. The stock market is likely to generate mediocre returns at best over the next six to 12 months. However, when the credit and business cycles have been completed and inflation has been reduced again, the stage should be set for another major advance in stock prices lasting some years. Meanwhile, the bull market bonds still has further to go. Although we anticipate continuation of the current trading range in interest rates over the near term, we believe that rates will fall significantly over the next six to twelve months."

"There's value in your garbage," says analyst Marc Sula of Kidder, Peabody. "We believe recycling will represent a significant theme in the solid waste industry over the next several years." Driven by both heightened environmental concerns and the economic implications of rising solid waste disposal costs, recycling is gaining momentum as an integral part of the waste industry. The stated goal of the Environmental Protection Agency is to recycle 25% of municipal solid waste stream by 1992. Public acceptance of source separation has been high, underscoring the public's willingness to recycle rather than change consumption patterns. Overall, we continue to believe that solid waste management companies will exhibit predictable, above-average earnings momentum. We remain positive on Waste Management (WMX 64 NYSE), Browning-Ferris (BFI 40 NYSE), Chambers Development (CDVA 37 OTC), Laidlaw (LDML 21 OTC), and Atwood (ATTWY 32 OTC)."

"Investors have not succeeded during the past few years with high technology stocks; however, we now feel that this will change," says James Fraser's (The Contrary Investor, Burlington, VT 05401, 24 issues, $85, 11/1/89). "For the first time since 1983, we are listing a package of technology stocks which we believe offer the potential for long-term appreciation. Which one of the four will be best, I know not. Therefore, we recommend buying the package. Applied Magnetics (APM) is one of the world's leaders in magnetic technology for reading information off of tape and disk drive products. Cipher Data Products (CIFR 4 3/4 OTC) is one of the leaders in the tape drive backup storage market. Spire (SF 5 3/8 OTC) produces high quality silicone materials and wafers. Intermagnetics General (INMA 3 4/3 OTC) is a play on semiconductors. Overall, this package is a good way to participate in the increasing productivity of American industry over the coming decade. Our package consists of 300 shares of APM; 600 of CIFR; 500 shares of SPIR; and 400 of INMA."

Dick Davis Dig