Don't push panic button just yet

So, they told us the millennium would be the dawning of the New Age of Prosperity.

What bunk!

Here investors sit, worried to death their portfolios will go up in smoke, as markets shake their way into a tailspin some predict will be as devastating as the Great Crash of 1929.

Adding to the pain is a falling Canadian dollar — or should I say "peso" — which hit its second lowest close ever last week to fall to US63.46¢.

Isn't it a farce? Ottawa allows us to park more of our RRSP money offshore and our money buys half of what it used to.

No matter how hard central bankers try to defend our sick dollar, they can't dismiss the fact a falling currency means a falling standard of living.

To make matters worse, most of us are again sitting on the edge of our seats, worried sick that the pink slip will soon hit our desks — as massive layoffs are racking up faster than the coins in the slot machines at Casino Rama.

Read and try not to weep: The layoff list so far this year includes: DaimlerChrysler — 26,000; Motorola — 16,370; Lucent Technologies — 16,000; Procter & Gamble — 22,000; Solectron — 8,200; Sara Lee — 7,000; Whirlpool — 6,000; J.C. Penney — 5,300; Compaq — 5,000; Xerox — 4,000; Nortel Networks — 4,000; Textron — 3,600; Schwab — 3,000; ShopKo Stores — 2,500; AOL Time Warner — 2,400; Standard Register — 2,400; Sears — 2,400; Electrolux — 2,000; Service Merchandise — 1,750; Hewlett-Packard — 1,700; Amazon.com — 1,300; 3Com — 2,100; Freightliner — 1,095; and Norfolk Southern — 1,000 to 2,000.

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This list doesn't even include smaller firms, like some of the dot.com companies that have gone bust since the Nasdaq shed up to 70% of its value.

Here's an example: Just over a year ago, the TSE's Stock Market Place was jammed to the rafters as a few young bucks — eager to be the next dot.com millionaires — launched sportstrading.com with great fanfare. Today, sportstrading.com is no longer.

This is scary stuff. And I must admit, even this hard-nosed, seasoned Money Editor — who sat at this desk in 1990 when layoffs dominated the news — is a bit nervous.

"Carl, what about my portfolio?" I shyly asked Carl Spiess, director of private client financial services at ScotiaMcLeod, who watches over my money.

Spiess reminded me I should practice what I preach. Don't panic, stay invested and stick to my plan — just as guru Warren Buffett would do — which is invest in value and hold.

Spiess then read to me some headlines: *Time Magazine*: "Is The Boom Over?" *Business Week*: "Global Crisis: Time To Act." *Forbes Magazine*: "Is It Armageddon?"

I shuddered. But, points out Spiess, these headlines were from 1998 — as stock markets shed trillions of dollar from spring to fall with the TSE 300 losing up to 32% of its value.

"Have I put it into perspective?" asked Spiess. Silly me, how many times have I warned readers not to listen to the doomsayers. Anyone who listened to them would have missed out on stock markets hitting record highs in the next two years.

'Anyone who listened to them (the doomsayers) would have missed out on stock markets hitting record highs in the next two years'

But still, Russian economist Nicolai Kondratieff's Long Wave theory, which predicts we're sitting on the edge of a Mega Crash that could last for four years, is pretty convincing.

Those who believe in it are telling investors to bail out of stocks right now, and sit tight with bonds and Treasury Bills.

Even gold is touted as a wise investment these days.

Another reality check came from my Bay Street insider — who has an uncanny ability to correctly call what's ahead — and who e-mailed me to say get a grip.

My insider agrees that stocks suffered their worst 10-year returns between 1929 and 1938, when investors got a -1% return. The 15-year return from 1929 to 1943 was 0.8%.

But when inflation is factored in, the worst 10-year return on stocks was -3.8% from 1965 to 1974, and the worst 15-year return was — 0.65 from 1965-1979.

But this was even more interesting: Bonds suffered an even bigger 10-year loss from 1972 to 1981 when they lost -5.2%. Their biggest 15-year loss was -3.9% from 1967 to 1981. Even T-bills have had worse declines than stocks. Take from 1941 to 1950 when T-bills lost 5.1% in 10 years; and from 1937 to 1951 when they lost -3.7% in 15 years.

This is also interesting. After stocks lost 22.5% of their values from October to December 1987 — they went on to gain 13.2% in the next 15 years. Bonds, meanwhile, only returned 6%; and T-bills - 2.1%.

"My gut instinct is telling me we're in for a bounce," said my insider, who added perhaps now is the time to be buying, not bailing. My advice is be diversified, add some safety, keep a cool head and pray for no pink slip.

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