

High technology stocks

Glamour fades in computers*Washington*

THIS has been a bad month for high-tech stocks on Wall Street, with the manufacturers of products at the cheap end of the computer market leading the way down. Three developments seem to have made investors take fright, one of which is the persistent rumour, unconfirmed but not denied last week, that IBM, having captured 25 per cent of the US market for personal computers since the introduction of its new machine last year, is planning to introduce a microcomputer later in the year.

Uneasiness in the microcomputer field goes back, however, to the disastrous results for the second quarter of 1983 announced by Atari, the home computer subsidiary of Warner Communications Inc. In July, the company, which provided the bulk of Warner products during 1981 and 1982, announced a loss of \$310 million, dragging the parent company down with it. Atari, once the proud retailer of "Pacman", seems to have been slower than its competitors to devise new computer games for its machines.

A similar slump at Texas Instruments for the second quarter has given the financial markets more solid foundation for anxiety. The company acknowledges that it lost \$119 million on the operations of its small computer division, largely because sales of its 16-bit RAM machine called the 99 4A model did not match expectations in the first half of this year. At the same time, in common with other chip-manufacturing companies, Texas Instruments has found the market for chips much more competitive than previously. Adjusting to the now reduced volume of production of the small computer, and helping dealers to move their large stocks with the help of discounts, has caused the main company to write off \$50 million.

These two developments have persuaded the stock markets that while the home computer market remains buoyant in the sense that machines and the software for them are still selling, it will for some time be very difficult to tell which manufacturers are likely to capture substantial shares of the market. And the increasingly cut-throat competition suggests that few of them will make substantial profits until their number has been reduced by bankruptcy or merger.

Even so, some predominantly small-machine manufacturers appear to survive almost unscathed. Commodore International, for example, is thought to be about to announce results for the second quarter that will be better than in 1982 — but even so, the stock has fallen by more than a quarter to just under \$50. At the other end of the market, companies such as IBM have more than weathered the storm.

Two other developments affect interest in stocks of cheap computer manufacturers, one of which is the steady trickle of

unflattering news. Last Friday, for example, the *Wall Street Journal* reported that Osborne Computers is laying off more than 200 people in California and that Fortune Systems of California made a loss of \$3

Biotechnology index

First faltering

BIOTECHNOLOGY stocks broke their year-long climb last month, falling victim to Wall Street's edginess over higher interest rates and an across-the-board setback in the fortunes of high technology issues during the last week of July.

Although *Nature's* index of 16 leading biotechnology stocks showed a slight gain for the month of 5 points, it was only the jump of AB Fortia (now known as Pharmacia) by 20½ points that prevented the index from showing its first drop since it began last summer. Part of the explanation of that dramatic change is the company's decision to modify the treatment of financial reserves in its accounts so as to conform with US rather than Swedish practice (see *Nature* 5 May, p.5).

Further rises in interest rates predicted for the coming months could spell continued uncertainty for the biotechnology stocks. While the first products of the smaller companies are beginning to appear, much of the income of these ventures remains interest income on their not inconsiderable cash reserves. That situation never goes down well with investors, who would just as soon put idle cash in the money markets directly rather than through the purchase of stock.

Molecular Genetics, for example,

million on sales of \$13 million after making its first small quarterly profit in the first three months. But Wall Street interest in high-technology seems also to have been moderated by the discovery that old-fashioned industries such as the automobile manufacturers have been reporting profits much improved in comparison with the recent doldrums. □

reported its first profitable quarter last month, coinciding with the introduction of its first product, a monoclonal antibody vaccine to prevent scours in newborn calves. The product, sold now only in Canada, brought revenues of \$69,000 for the quarter. But the company reported the cost of goods sold to be \$81,000; and but for a considerable interest income of \$668,000 (up from one-tenth of that a year ago), the company's \$271,000 profit for the quarter (\$0.40 per share) would have been wiped out. Molecular Genetics also reported revenues of \$1,131,000 for sponsored research, up from \$290,000 in the same quarter last year.

Sponsored research is playing a large part in the fortunes of the smaller companies, many of which are cashing in on the eagerness of the traditional and much larger pharmaceutical companies to buy a piece of the action in biotechnology. Genex Corporation last month announced a deal with Yoshitomi Pharmaceutical Industries of Japan to conduct research and development on a genetically-engineered microbe for producing human interleukin-2, the humoral factor known to stimulate proliferation of T cells of the immune system and which is being studied as a possible therapeutic agent for acquired immune deficiency syndrome (AIDS) and may also prove useful in laboratory work on cancer therapy and immunodiagnosis.

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Nature index of biotechnology stocks

12-Month high	12-Month low	Company	Close previous month	Close 27 May	Change
100½	45¼	Pharmacia (A.B. Fortia) (Sweden)	77	97½	+ 20½
23¼	15	Biogen (Switzerland)	15¾	16¼	+ ½
6¼	3	Bio-Logicals (Canada)	5½	4¾	-1 ½
16 1/8	7¼	Bio-Response (USA)	14	13½	-½
19	11 7/8	Cetus (USA)	17 5/8	15¼	-2 3/8
15½	8 7/8	Collaborative Research (USA)	15 3/8	11½	-4 1/8
39 7/8	15	Damon (USA)	32¼	28¼	-4
34¼	16 3/8	Enzo-Biochem (USA)	30½	28½	-2
18 7/8	10 7/8	Flow General (USA)	15	12¼	-2¾
49 3/8	26 1/8	Genentech (USA)	41¼	45¼	+ 4
17¾	8¾	Genetic Systems (USA)	16 7/8	12 1/8	-4¾
20½	12 7/8	Genex (USA)	18½	18½	0
31	21¼	Hybritech (USA)	27¼	26½	-¾
22¼	13¼	Molecular Genetics (USA)	21½	19	-2½
23¼	15½	Monoclonal Antibodies (USA)	18	15½	-2½
65 5/8	42	Novo Industri A/S (Denmark)	63¾	57 3/8	-6 3/8

Closing prices are for the last Friday of the month. For over-the-counter stocks, bid price is quoted; for stocks on the American and New York exchanges, the transaction price. The index stood at 238 on 29 July, compared with 233 a month earlier. Data from E.F. Hutton, Inc.