

[21440001]



The main argument for growth stocks is their usually superior performance in a slowing economy .

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" If the market refocuses on earnings , we should get better valuations of growth stocks , " says L. Keith Mullins , a growth-stock analyst at Morgan Stanley .

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Eventually , he believes , investors will be willing to pay higher prices for companies with proven track records of earnings growth .

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In anticipation of that shift , he and other analysts are encouraging their clients to buy such issues now .

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Understandably , smaller growth stocks have n't been in favor recently .

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The average issue on Standard & Poor 's 500-stock Index gained 35 % last year , Ms. Farrell of PaineWebber says .

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Smaller-stock earnings , by comparison , rose between 15 % and 20 % .

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Also , the smaller growth stocks are n't widely traded , and so are harder to buy and sell quickly than blue chips .

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As a result , Morgan Stanley 's Index of 40 Emerging Growth Stocks - most of which are in the OTC market - is up only 13 % for the year , while the Dow Jones Industrial Average has leaped 24 % and the S&P 500 has grown 25 % .

[21440025]

The Nasdaq Composite has gained 23 % this year , but that is largely due to the 100 largest nonfinancial stocks , which have soared 30 % .

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Some investors are skeptical of growth stocks because investing in them means ignoring that maxim found in the fine print of some investment advertisements - that past performance is n't indicative of future results .

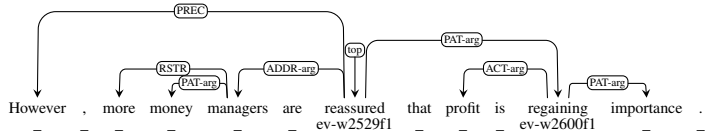
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" People are naturally suspicious of them , " says Mr. Mullins of Morgan Stanley .

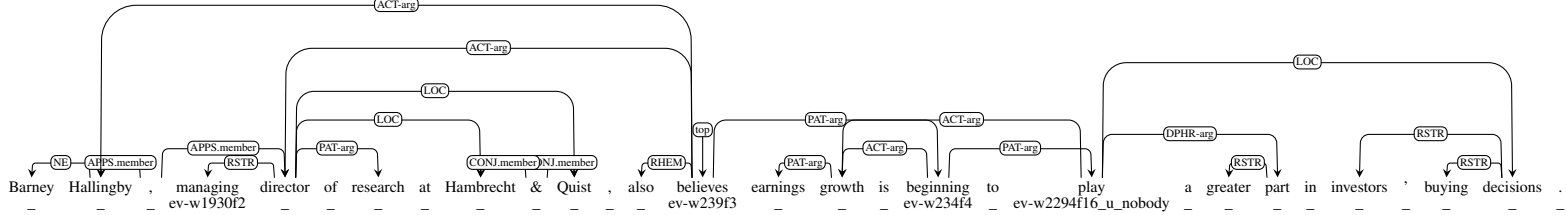
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Among his favorites in his firm 's index are Legent , Silicon Graphics and Novell .

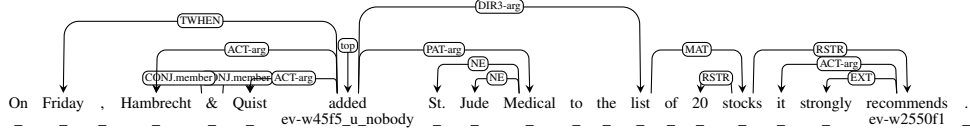
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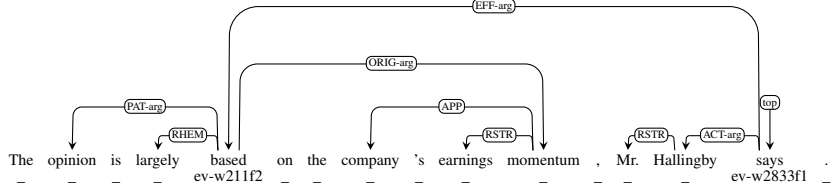
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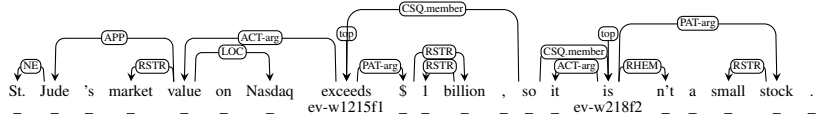
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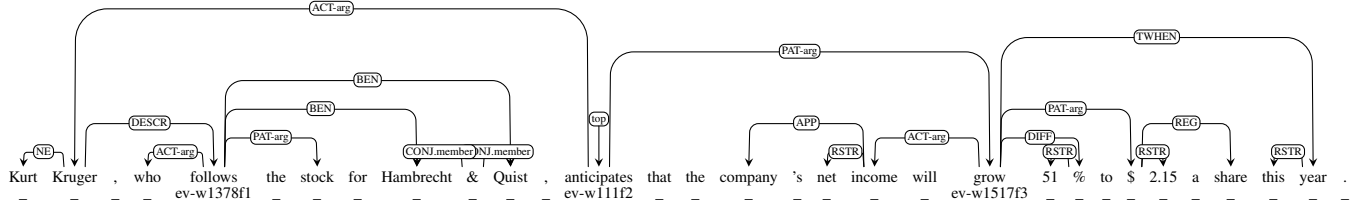
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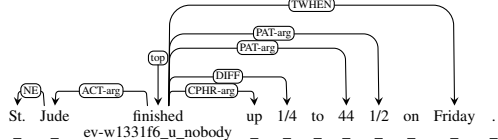
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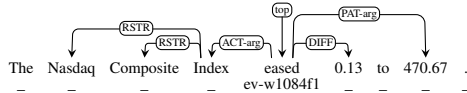
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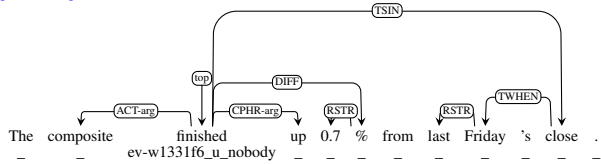
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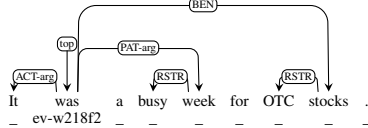
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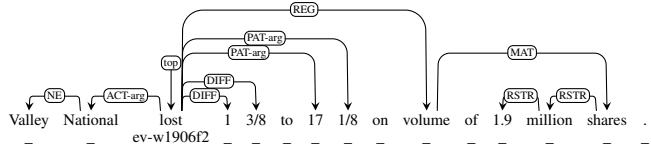
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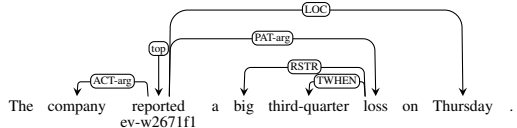
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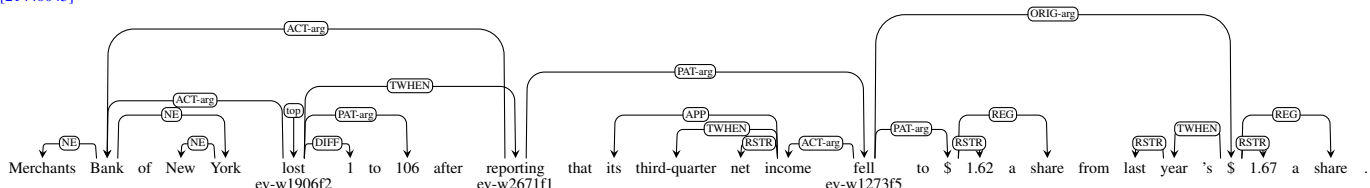
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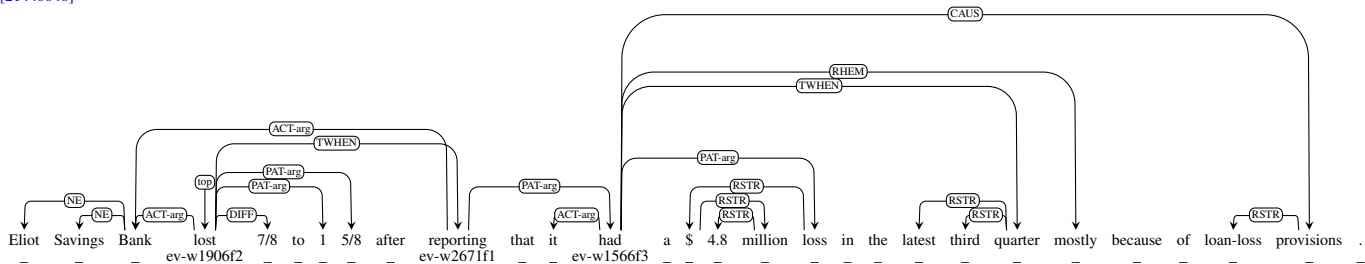
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In the 1988 quarter, the bank earned \$ 1.1 million.

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One bank stock was a winner.

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BanPonce jumped 4 1/2 to 47 3/4 after agreeing to be acquired by Banco Popular de Puerto Rico for \$ 56.25 a share.

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Banco Popular, meanwhile, dropped 1 1/4 to 21 1/2.

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Sierra Tucson, an initial public offering, made the most active list.

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The company's shares began trading at 12 1/2, up from its initial offering price of 12, and closed at 13.

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Sierra Tucson operates an addiction treatment center.

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Among declining issues, a weak earnings outlook drove Groundwater Technology down 6 1/4 to 24.

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The company said results for its second quarter ended Oct. 28 could drop as much as 20 % below the 30 cents a share reported in the year-earlier quarter.

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Medstone International plummeted 3 1/4 to 7 1/4.

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A Food and Drug Administration advisory panel has asked that Medstone perform more studies on its device to treat gallstones.

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As a result, the company has suspended its quarterly dividend.

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McCaw Cellular Communications and its target, LIN Broadcasting, were active.

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LIN added 5/8 to 110 5/8 and McCaw lost 1/4 to 41.

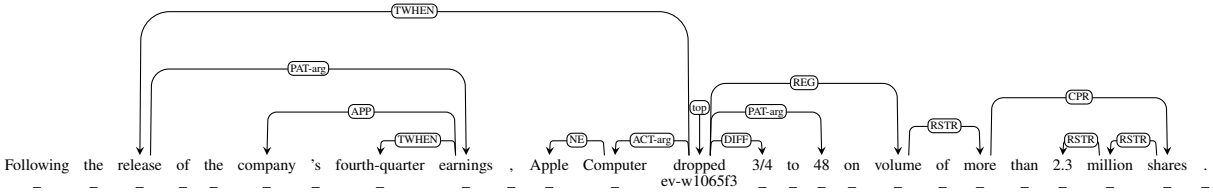
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McCaw said it has secured commitments from three banks to help finance its \$ 125-a-share bid for 22 million of Lin's shares.

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McCaw has called for a "fair auction" of LIN, which earlier entered a stock-swap merger pact with BellSouth.

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