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## TABELL'S MARKET LETTER

Since early 1948, this letter has consistently recommended the purchase of the higher grade, dividend-paying issues and has consistently expressed the opinion that they would be the market leaders of the first phase of the advance. In the advance from 160 in the Dow-Jones industrials in June, 1949 to the recent high of 257.06, this type of issue has been in the foreground. Spurred by demand from institutional investors, some of the investment growth stocks have advanced from 50% to 100% in price over a two-year period. They are no longer on the bargain counter. Due to higher taxes, earnings in 1951 will probably be below 1950 and the price advance has brought yields from around the 6% level to below 5% and in some cases close to 4%. While the longer term prospects remained undiminished, present price levels appear to have adequately discounted this future possibility. In view of the current uncertainty, I would prefer to await a more advantageous price level for new purchases. In many cases, the technical patterns of the growth investment stocks show that they have reached, or almost reached, the upside objectives outlined by their base patterns. On the other hand, there are other good quality issues that appear to have not yet discounted their possibilities. Some of these are secondary, more speculative issues. Others are stocks of better known companies. While they, too, might sell off in a market decline, they appear to have better defensive possibilities than the issues which have already advanced sharply:

BEST & CO. appears moderately priced at around present levels of 31. It has a good E.P.T. base with an average of about \$4.50 a share for the best three of the 1946-1949 years. Estimated earnings for 1950 are \$3.75. The stock is paying \$2 annually to yield over 6%. The technical pattern is promising. The price range of 32-23 has held for almost four years and there is an upside potential of an advance to the 1946 high of 52 1/2. Should be bought on all dips for semi-investment holding and chances for long term appreciation.

BOND STORES has been showing an improving technical pattern of late. This retail clothing store chain expanded a bit too rapidly in the mid-1940s and the stock declined from a 1946 high of 48 1/4 to a 1950 low of 12 1/8. Company appears to have turned the corner and earnings for 1951 should top the estimated \$2.00 of 1950. Company has a good E.P.T. base due to earnings of \$5.93 in 1946, \$5.17 in 1947 and \$3.05 in 1948. The technical pattern suggests a potential accumulation area in the 19-13 range with an upside possibility of 26-28 for the first phase of the advance. Buy on minor weakness. Present dividend rate is 25% quarterly. The next payment will go ex-dividend March 1st, payable March 14th.

UNION CARBIDE, at the recent top of 59, seems high enough for the moment. Earnings for 1950 reached a new peak at \$4.31 a share. Earnings for the best three years of 1946-1949 average around \$3.30 so its E.P.T. exemption is only fair. The stock yields 4.3% on the \$2.50 dividend. Price appreciation for the near term appears limited. The stock has reached its upside objective on the technical gauges and due to its sharp rise (for an issue of its quality) it appears somewhat vulnerable. Would withhold purchases of this excellent quality growth issue until a good reaction corrects its technical pattern.

February 16, 1951

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### Closing Averages

Dow-Jones Industrials	254.90
Dow-Jones Rails	88.40

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