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## Investment Securities

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### TABELL'S MARKET LETTER

In the face of potentially disturbing foreign news, the market has acted rather well. The rally from the February 18th low of 279.72 in the Dow-Jones industrial average carried to a high of 289.59 last week. This was below both the January 5th high of 295.06 and the early February high of 290.94 and the downtrend still is in effect. However, this could be quite easily reversed. In fact, any firmness during the coming week would result in a buy signal on my intermediate term technical indicator. This gauge signalled a sale early in January. Of course, as we have continually stressed, the action of individual stocks will continue to be much more important than that of the averages.

The "light blue chips" continue to show better action than the higher grade issues. There is a continued demand for higher grade equities from institutional sources, but the low yields now obtainable act as a short of price ceiling. The yields obtainable on some representative blue chip growth issues is illustrated below:

	PRICE	YIELD		PRICE	YIELD
Allied Chemical	76	3.95%	General Electric	72	4.17%
Alum.Co. of Amer.	93	3.23%	Minnesota Mining	45	2.22%
American Can	35	3.6%	Monsanto Chemical	92	2.72%
Corning Glass	74	2.7%	Pitts.Plate Glass	58	3.45%
Dow Chemical	40	2.00%	Procter & Gamble	67	3.88%
duPont	98	3.62%	Union Carbide	69	3.62%

By contrast, there are a large number of "light blue chip" issues that are still available on a 5 1/2% to 7 1/2% basis. This letter has been stressing issues of this type for a considerable length of time and I have included a large number of this type of equity in my recommended list. Several of these reached new high territory recently, including Babcock & Wilcox, Blaw-Knox, Bucyrus Erie, Elliott Co., Hall Printing, Joy Manufacturing, Lone Star Cement, New York Air Brake, Otis Elevator, Phillips Petroleum, Shamrock Oil and Western Auto Supply.

The rail average has not shown as favorable action as the industrials. The average has held between 113.94 and 106.25 since early January. The possibility of the announcement of a wage increase shortly has evidently acted as a damper on this group. The technical pattern suggests a possible dip to the 103-102 area if the recent trading area is penetrated on the downside. It might be advisable to temporarily avoid this group until the pattern clarifies.

The following issues in the "light blue chip" category still appear to be in a buying area for intermediate term capital appreciation.

ALPHA PORTLAND CEMENT (47 1/8) yields approximately 6.4% which is about the best yield obtainable on the better-grade cement equities. There is a possible announcement of a price rise in cement shortly. Also, an elimination of E.P.T. would be quite favorable to this group. The technical pattern is favorable with a long term indication of 60-75.

BABCOCK & WILCOX (39 7/8) reached new high territory for 1952-1953 during the past week. The 1951 high was 43 1/2. Earnings for 1952 equalled \$5.86 a share as against \$5.67 in 1951. The outlook is favorable and 1953 earnings are estimated at \$7.00 to \$8.00. The \$2 dividend in 1952 was supplemented by a 5% stock dividend. Probabilities favor an increase in payments to \$3.00 in 1953.

BLAW-KNOX (21 1/2) broke out of a long accumulation range to reach 21 5/8 last week. The technical pattern suggests an intermediate term 28-33 followed by a long term 41-46. Estimated earnings for 1952 are \$2.70. Nine months earnings were \$2.03 vs. \$1.68 in the 1951 period. The dividend was recently increased from 25 cents quarterly to 30 cents quarterly. 1952 payments, with the 25 cent year-end extra, totalled \$1.25.

NEW YORK AIR BRAKE (22 3/8) Less than 40% of sales are now in the cyclical railroad equipment business. Since 1949, it has purchased several companies in the field of hydraulic transmission and control of power. This has greatly enhanced the growth possibilities as has also its entrance into the high vacuum pump field. The \$2.85 earned in 1952 amply covers the \$1.60 dividend to yield 7.2%. The technical pattern is extremely favorable.

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