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## TABELL'S MARKET LETTER

October 9, 1953

I will be away on a business trip for the remainder of October. Quoted below are excerpts from an address which I made in Los Angeles on October 8th. Printed copies of this talk will be mailed to you next week:

### "THE COMING ADVANCE IN COMMON STOCKS"

"With the various stock market averages recently reaching new low territory for the past two years, the title of my talk may seem to you a bit premature. However, I am not talking about tomorrow, next week or next month. I am talking about the next few years. I believe we are very near the start of a long term advance in the price of common stocks that will bring the various stock market averages considerably above the levels reached in 1929. Before this happens, there may be some further irregularity similar to what we have witnessed over the past two and a half years. It is possible that the average will drop a bit below 250 to maybe 240, but that means little to the long term investor if the average reaches 500 or 600 over the next few years. I believe it will. The next six or nine months may be the last opportunity to buy common stocks on the very favorable price to earnings and price to dividend ratios that prevail today.

"Any further weakness may be the last buying opportunity because sometime in 1954 the market will start a rise that will carry considerably above 386 high of 1929. This prediction, like my 1948 prediction is based on a technical approach, but there is plenty of fundamental and statistical backing for it.

"The coming advance, in my opinion, will continue to be selective. In the earlier stages, the leaders will be the growth stocks and investment issues that were the leaders of the 1949-1952 rise. I would concentrate for the time being on stocks of companies in growth industries such as banks, electric utilities and natural gas.

"If I could buy only one chemical stock, I would buy Union Carbide. It covers a pretty wide segment of the chemical field and is the second largest company in the industry. The following better-grade growth issues seem to have appeal at present price levels, both from a fundamental and technical approach. They are Bendix Aviation, International Paper, National Lead, Aluminium, Ltd., Pfizer, American Viscose and Food Machinery. Some of these issues have had a rather sizeable price correction and are near reasonable buying levels for long term holding.

"There is not much time left to discuss the newer and more speculative growth industries. Some of these could be quite dynamic. There is plenty of romance in such industries as titanium, electronics, air-conditioning, atomic energy, hydraulics, powdered metals, helicopters, rare metals, glass fibers, gas turbines, automatic controls, ethical drugs, alloys, aluminum, detergents, pipelines, to mention just a few industries. To mention a few individual stocks that are all speculative but have excellent potentials, I like Beckman Instruments, Greer Hydraulics, Piasecki Helicopter, Interprovincial Pipe Line, North American Aviation, Fansteel, Servo-mechanisms, Virginia-Carolina Chemical, Gustin-Bacon, Tracerlab and Gray Manufacturing.

"The long term technical pattern of the stock market is favorable. I believe the market is less vulnerable at the moment than at any time in the past two years. To the holder of the average stock, rather than the stock market averages, we have been in a bear market since 1951. I believe we are much nearer the end of this readjustment period than the start. After it is ended, I expect a much higher level of equity prices for a number of years. The next few months may be the last opportunity to buy common stocks at the favorable price to earnings and price to dividend ratios available today. There may or may not be some further irregularity, but to the long term investor it will make little difference if he buys at 260 or 250 or 240 if the market, several years from now, reaches 500 or 600. I believe it will. Let's stop watching the tape and the averages and concentrate on buying selected growth equities at the favorable prices and yields available today."

EDMUND W. TABELL

WALSTON & CO.

(Written in Los Angeles, Calif.)