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## TABELL'S MARKET LETTER

November 27, 1953

Since reaching a high of 280.33 on November 4th, the Dow-Jones industrial average has held in the 280-273 area for fifteen trading days. Friday's strength, particularly in the high-grade investment issues, brought the average into new highs for the move at 280.78. It becomes increasingly probable that the 25-point advance from the September lows is being corrected by a consolidating movement rather than a one-third to two-thirds retracement of the advance. We are approaching the time of the year when the seasonal trend is upward. In eighteen of the last twenty years the market has advanced during the December-January 15th period.

The aircraft manufacturing issues have been showing impressive technical action recently and several issues in the group have reached new high territory. Despite the already sharp rise from the September lows, most issues in the group still indicate higher levels over the intermediate term. One of the more attractive issues from a technical viewpoint is North American Aviation. The stock has not advanced as much as others in the group because of the strike which has partially held up production. However, it has a very strong technical pattern and ability to penetrate the 20 1/2 high reached earlier in the year would indicate the probability of 27-30 over the longer term. Friday's close was 19 3/4. The company's new F-100 jet fighter, which replaces the F-86 Sabre jet, has been ordered into accelerated production. North American also has contracts for guided missiles, rocket motors and control systems. For the longer term future, its work on atomic energy could be extremely important. The stock has been paying 75¢ semi-annually to yield over 7 1/2%. Elimination of E.P.T. should add materially to earnings.

This letter has recommended American Telephone & Telegraph for the last two years as an excellent defensive investment holding with a good yield and moderate appreciation possibilities. The stock has held very firmly despite the ups and downs of the general market and the investor who purchased it over the past two years is in a better position than if he had bought AAA corporate bonds. At present price of 157 3/8, the stock yields 5.7% based on the current \$9 annual dividend which has been paid for 32 years. Actually, the holder of the stock over the past eight years would have received an even greater yield than \$9 annually. Since 1945, American Telephone has offered "rights" to stockholders on six different occasions. These were rights to buy the convertible bonds of the company. These rights could either be exercised and the convertible bonds purchased or the rights could have been sold. If we add up total value of all these rights at the high level reached (including the present issue of rights) we find that they had a value of \$13.81. If they were all sold at their lows, the value would have been \$9.96. The median value would be \$11.82. This means that over an eight-year period there would have been an added average income of \$1.48 per share. This added to the regular \$9 dividend would have averaged a return of 6 3/4% over the past eight years. The technical pattern on American Telephone remains favorable with a possible 165-172 indication over the longer term. The 1937 high was 190 and the 1946 high was 200. At 157, the stock is selling at about the average price of the last ten years. American Telephone common stock appears to offer fair appreciation possibilities together with excellent defensive qualities and a good yield. It is an interesting investment purchase at this stage of the market pattern.

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