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TABELL'S MARKET LETTER

April 23, 1954

Strength in the aircrafts and steels held the industrial average in a trading area around the year's top level despite irregularity in other sections of the list. At the week's high of 314.38, the average was just a shade below the previous week's high of 314.44. The low of the week was 309.05. The technical pattern does not appear at all vulnerable despite the sharp rise from the September low of 255. Of course, the market is always subject to the type of technical correction we have witnessed four or five times since the advance started. At the present moment, a decline would meet strong support in the 304-300 level. This type of correction can be ignored by the long term and intermediate term trader. I do not expect a decline of intermediate term proportions until the industrial averages reach the 325-330 area.

The steel stocks showed very impressive technical action during the past week. Until recently, this group has shown below average action. The great majority of the issues in the group reached their highs in 1951 and their lows in 1953:

	1951 <u>High</u>	1953 <u>Low</u>	Friday's <u>Close</u>
Allegheny Ludlum	52 1/8	25 1/8	33 7/8
Armco Steel	51 3/8	30 5/8	42
Bethlehem Steel	60	44 3/8	62 1/4
Inland Steel	62 1/2	35 7/8	51 3/8
Jones & Laughlin	31 5/8	19	23
National Steel	56	40 1/8	51
Republic Steel	49 1/2	35 3/8 *	51 7/8
U. S. Steel	47 3/4	33 1/2	45 7/8
Youngstown S & T	59 1/4	34	42 5/8

* Low was reached in late 1951

As can be seen from above, the action of this group has been extremely irregular. Most all issues reached their highs in February, 1951 when the Dow-Jones industrial average was at 264. The average is now close to 314 but only two issues, Bethlehem Steel and Republic Steel, are above their 1951 highs.

Because of this hitherto unfavorable pattern, I have not recommended many steel issues over the past two years. I suggested Inland Steel in September as a quality issue in the group and have mentioned Allegheny Ludlum mainly because of its long term future in titanium. However, the recent action of this group suggests that they be added to holdings. My suggestion would be the three largest companies, Bethlehem, Republic and U. S. Steel.

	<u>Price</u>	1953 <u>Earn.</u>	1953 <u>Div.</u>	<u>Yield</u>
Bethlehem Steel	62 1/4	\$13.30	\$4.00	6.1%
Republic Steel	51 7/8	9.25	4.50 *	8.6%
U. S. Steel	45 7/8	7.56	3.00	6.5%

* Indicated rate.

It will be noted that, based on 1953 earnings, the dividend payout was small on all three issues. Of course, earnings are expected to be somewhat lower in 1954. The only company to report so far has been Republic Steel which showed earnings of \$1.79 for the first quarter of 1954 as compared with \$2.24 for the same period of last year. This is a drop of 20%. Even if this pattern continues for the balance of the year, present dividends would be covered at least twice by two of the above companies. U. S. Steel will announce first quarter earnings on Tuesday, April 27th, and Bethlehem Steel on Thursday, April 29th.

From a technical point of view, all three issues have been showing increasing relative strength. Bethlehem Steel and Republic have already broken out of trading ranges and U. S. Steel is close to doing so. In all three cases, downside support is not too far away from present levels. All three issues appear to be attractive purchases for long term appreciation.

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