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TABELL'S MARKET LETTER

The stock market action of the past week again illustrates the point that, since 1949, the buying and selling of the professional long term investor has been a much more important price movement factor than the trading of the short term speculator. It has been the reason why the market fails to move as a unit and why, despite the sharp advance in some issues since September, the general market is not vulnerable except for possibly the usual technical corrections that are always to be expected. The selectivity and discrimination has been based on the reasoned findings of the analyst rather than on the unreasoned hopes and fears of the short term trader. Purchases and sales have been based on the long term outlook rather than what "the market" may do next week or next month.

Take the example of two rail stocks, Southern Railway and Pennsylvania. If you had bought Pennsylvania at the 1949 low you would have paid about 15. It is now selling at about 16. If you had bought Southern Railway at the same time you would have paid 13 (after adjusting for the 2 for 1 split in 1953). It is now selling at 50. Does this mean that Southern Railway is too high and Pennsylvania is very cheap? Let us examine a few earnings figures for the two railroads. If you purchased both stocks at today's approximate prices of 50 and 16 you would be buying the following for each $100 invested in each issue:

PER $100 INVESTED	SOUTHERN	PENNSYLVANIA
Earnings 1949-1953	$76.44	$71.90
Dividends 1949-1953	21.00	32.81
Re-Invested 1949-1953	55.44	39.09
1953 Earnings	23.26	16.86
1953 Dividend	5.00	9.00
GROWTH		
Average 1949-1953 earnings vs. 1937-1941 average earnings	325%	89%

Except for the fact that Pennsylvania has paid a bit more in dividends, both issues are selling on a relatively equal value basis despite the fact that Southern is at a five-year high and Pennsylvania near a five-year low. When the growth factor and a possible dividend rise are taken into consideration, Southern seems the more attractive. This is borne out by the technical patterns of both issues.

But, you may say, the market is very high. Westinghouse Electric as an example, has advanced sharply and has reached a new all-time high. Let us take Westinghouse in 1945 when it was selling at an average price of about 33 and compare it with Westinghouse today at 72. Again this is based on $100 invested in each issue:

PER $100 INVESTED	1945	TODAY
Book Value	$76.95	$59.90 *
Five-year earnings	26.70	32.34
Five-year dividends	15.75	13.16
Five-year re-investment	10.95	19.18
Present Earnings	6.10	7.70 E
Present Dividend	3.00	2.80 E

* December 31, 1953 balance sheet. E - Estimated for 1954.

With a possible dividend increase in the offing, Westinghouse is not overvalued compared with 1945, despite the fact that it has reached a new high. From a technical viewpoint, it has reached its upside objective and may be high enough for the moment. It is possibly in need of a consolidating movement for quite a period of time. However, it is not vulnerable and should move higher after a new pattern has been formed.

I believe the advance will continue to be selective. The leaders will continue, for a while, to be the growth issues and investment issues that are bought by institutional investors and larger individual accounts. Before the speculative cyclical issues join in the advance, a speculative public following must be built up. This usually happens at a later stage of the advance.

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