

Walston & Co.

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TABELL'S MARKET LETTER

May 14, 1954

When a stock or a group of stocks is in a prolonged downtrend, it is difficult, and sometimes quite dangerous, to try to catch the bottom of the downswing. It is usually wiser to wait until there are definite signs of a reversal. The textile group is a case in point. The American Investors Service index of eleven textile stocks has dropped from a 1951 high of 45 to a 1953 low of 22 and currently is at 24. There are, from a technical viewpoint, no definite indications that the downtrend has been reversed. However, technical action has improved considerably during the past week and the group should be watched closely. Sales and earnings are continuing to show unfavorable comparisons with those of the first six months of 1953, but there is a good prospect for improvement in the later part of 1954.

The three stocks listed below are among the better-grade textile issues. At recent lows, they appear to have quite adequately discounted the current unfavorable picture in the cyclical textile industry. Moderate amounts of these issues might be added to portfolios during periods of market irregularity, but I would avoid the more speculative members of the textile group:

	<u>Amer. Viscose</u>	<u>Industrial Rayon</u>	<u>Lowenstein & Sons</u>
Current Market	36	43	33
Current Dividend	\$2.00	\$3.00-A	\$2.20
Current Yield	5.5%	7.0%	6.6%
Long Term Debt	None	None	None
Preferred Stock	\$20,645,000	None	\$6,194,800
Common Stock (shs.)	4,095,918	1,845,860	1,302,689
Net Per Share, 1953	\$2.74	\$4.68	\$5.30
Net Per Share, 1952	\$4.88	\$4.83	\$5.16
Sales, 1953	\$228,200,000	\$70,300,000	\$180,450,000
Sales, 1952	\$235,200,000	\$67,930,000	\$173,050,000
Market Range 1951-54	78 - 30 5/8	68 1/2 - 38 3/8	39 - 24 1/2
<u>Per \$100 Invested</u>			
Five-year Earnings	\$68.80	\$60.15	\$73.41
Five-year Dividends	31.05	32.13	29.40
Five-year Re-investment	37.75	28.02	44.01
Book Value	141.39	87.06	145.98
Working Capital	44.01	44.39	88.35
Plant Expansion 1946-54	114.80	38.64	58.59

A - Also 5% stock.

AMERICAN VISCOSE is the largest rayon producer and the second largest producer of cellophane. Chemstrand Corp., jointly owned with Monsanto Chemical, has a nylon plant at Pensacola which started production in 1953. Another plant in Decatur, Alabama, has started production of Acrilan, an acrylic fiber. The Ketchikan Pulp Co., jointly owned with Puget Sound Pulp & Timber Co., completed a plant in Alaska just this month. New Plant and equipment since 1946 are equal to more per share than the present selling price of the stock. The long term growth possibilities are excellent. Earnings for the first three months of 1954 were only 34¢ per share, but strong cash position indicates a maintenance of the \$2 dividend. From a technical viewpoint, the pattern is not complete and considerable work is needed in the 40-30 range. Buy during periods of market irregularity.

INDUSTRIAL RAYON is the third largest producer of viscose rayon filament yarns. Two-thirds of its capacity is in tire yarns, demand for which has held up very well and accounts for its above average earnings performance. The stock has held in the 39-45 area for over a year and may be building a base. From a technical viewpoint, an upside penetration of this area would indicate 55-60.

LOWENSTEIN (M) & SONS, INC. manufacture and merchandise low-priced and mass-produced cotton and synthetic fabrics. Sales have increased each year for the last ten years. Dividend payouts have been conservative and working capital has increased materially. Technical action has been good. The stock has held in the 25-35 area for over three years. Ability to reach 36 would indicate an intermediate term 50-60 followed by eventually higher levels.

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