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TABELL'S MARKET LETTER

May 27, 1955

At the week's high of 425.66, the Dow Jones industrial average had recovered over 70% of the decline from the April high of 432.76 to the mid-May low of 412.60. The rails, at 158.90, had recovered approximately the same percentage amount of the 8.87 point decline from 162.60 to 153.73. Volume has been relatively small on both the advance and the decline.

It now appears probable that the lows of mid-May will hold and that the market has already embarked on its traditional summer rise. My technical indicator has not yet reversed the sell signal of April, but it is almost certain that a buy signal will be given shortly. It is sometimes necessary to anticipate a coming signal and it might be wise to do so in this instance.

Just how far a summer rally can carry is problematical. One thing is certain, however. The advance, if it occurs, will be extremely selective. Technical patterns of individual issues vary from strongly bullish to almost as strongly bearish. Selection will be most important. In a broad market sense, I would be inclined to lighten commitments in the 435-450 area. At that level, the averages would be adequately priced on the basis of present earnings and dividends and it would be normal to expect at least some consolidation when that level, or its equivalent in individual issues, is reached. Below are some comments on individual issues on our recommended list:

Allegheny Corporation (9), originally recommended at 3 3/4, has moved above 9 again. The Interstate Commerce Commission has authorized the company to issue new preferred in exchange for outstanding preferred. If the exchange offer is accepted, arrears of \$130 on the present preferred will be eliminated. Would continue to hold Allegheny common. Indicated objective is 11-12 for intermediate term and 17 for longer term.

Allegheny Ludlum Steel (45) remains one of the most reasonably priced steel issues. The completion of the expansion program and its stake in titanium lend long term appeal. Increasing earnings indicate the possibility of a year-end extra.

Yale & Towne (65) originally recommended at 45, has broken out on the upside of the 53-58 area. The intermediate term objective is 68-72. The recent high was 65. The longer term objective is 104. The dividend has been increased to 75¢ quarterly. Earnings for 1955 should be sharply above 1954 results.

Pan American World Airways (20) has held in a trading shelf between 20 1/2 and 16 7/8 since December. An upside penetration of this area to reach 21 would have considerable technical significance and indicate a possible advance to the 25-29 area. The long term indicator is above 40, but there is supply between 20 and 30 that may take time to penetrate.

For new purchases the following issues have shown the best technical action and would recommend that new commitments be chosen from the list below:

	Price Recom.	Present Price	Advice
Allied Stores	38	58	Buy for 78.
Assoc. Dry Goods	26	30	Buy for 44.
Barber Oil	59	59	Buy for long term gain.
Calgary & Edmonton	16	15	Buy for long term speculation.
Cities Service	38	50	Buy for long term 81.
Dresser Ind.	33	44	Buy for long term 70-80.
Eagle Picher	22	32	Buy for long term 61.
Hewitt Robins	25-30	36	Buy for 43, then long term 85.
Lion Oil	35	49	Buy for growth.
Mont. Dak. Util.	26	27	Buy for long term 45-60.
Penn Salt	45-48	48	Buy for slow 69.
Simmons Co.	36	45	Buy for long term 71.

EDMUND W. TABELL
 WALSTON & CO.