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TABELL'S MARKET LETTER February 3,1956

The market, as measured by the Dow-Jones industrial average, successfully met the testing of the January 20th low of 458.21 and, with leadership of oil and natural gas issues, moved forward to retrace more than half of the thirty-two point loss suffered since the turn of the year. At Friday's high of 479.10,however, the industrial average was approaching the 477-482 range mentioned in last week's letter as an area in which there is very heavy overhead supply that will be extremely difficult to penetrate. All of this, of course, applies to the averages rather than individual issues. For example, the purchaser of General Motors at 54 in mid-November has a ten-point loss while the purchaser of Socony Mobil Oil at 58 on the same date has an eleven-point profit. I expect this diverse action in individual securities and groups to continue for a long time.

It is reported from various sources that DRESSER INDUSTRIES (53) will report approximately $1.50 for the quarter ended January 31, 1956, normally the poorest quarter of the year. This would indicate that Dresser's 1956 earnings will substantially better the $5.15 reported for 1955. Passage of the natural gas Bill will be favorable to Dresser since it services the oil and gas industry. Currently, economists are forecasting a record rate of growth for this portion of the economy. Indeed, a recent report issued by the Chase-Manhattan Bank estimates the expenditures required to maintain and expand this economic sector will run in the neighborhood of $115 billion expressed in 1955 dollars, or nearly twice the annual budget of the United States.

JOY MANUFACTURING (36), long one of the favorites of this letter, released an extremely gratifying report for the December 31 quarter.Sales were up 59% with margins widened to 18.4% from 12.7%. Per share earnings were $1.27 indicating the strong possibility of $5.00, or better, earnings on the new stock for 1956. Since the current dividend rate is only $1.85, it would appear that some liberalization could be looked for. However, even at the current rate, the yield is still better than 5%.

AMERICAN POTASH & CHEMICAL "B" (102), has announced its intention to split its stock 2 1/2 for 1, subject to stockholder approval. At the same time the Board expressed its intention of placing the split shares on a quarter dividend basis of 25¢, equal to the current 62½¢ on the old stock. Earnings were estimated at $4 million or $6.04 a share on the currently outstanding stock,representing 60% increase over 1954

ATLANTIC REFINING (38) has listed details of a plan by which it intends to acquire the petroleum properties of Houston Oil Company. Atlantic Refining will buy the properties for cash, subject to an oil and cash payment. This will be an economic interest in oil and gas reserves to be satisfied over a period of years by proceeds from sale of a portion of the oil and gas produced during the period. Financing of this payment will be arranged through banks and insurance companies. At present prices and projected rates of production, the payment will require about ten years, during which time Atlantic Refining will receive sufficient income from the Houston Oil properties to operate them on a breakeven basis. Should crude oil prices rise during that time, the payment period would be less. At the end of the payment period all of the properties will belong to Atlantic Refining for its remaining life. The net effect of the acquisition is that Atlantic Refining will acquire in ten years terrifically valuable oil properties at no actual cost.

ALLEGHENY LUDLUM STEEL (63) reported record sales and earnings for 1955 with the $8.25 per share net far ahead of the $2.30 reported in the previous year. Mr. E.J. Hanley,president,reported "substantial" backlog, stating that a major factor in the improved results was the company's extensive expansion and modernization program on which more than $100 million had been spent in the past ten years.

WESTERN AUTO SUPPLY (35) has recently run up sharply on an offer by Denman Enterprises, Ltd. to buy 300,000 shares at a price of $38. a share. This offer expires at the close of business February 10th. The stock originally entered our recommended list at 25.

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WALSTON & CO.INC.

ERRATA: In the January 27th issue - Paragraph 3, sixth line,should read -