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TABELL'S MARKET LETTER April 27, 1956

Perhaps the outstanding feature of the market is its extreme diversity. Despite the fact that the industrial average, at the week's low, was more than twenty points below its recent high, there were many individual issues that reached new high territory and the rail average is selling at new highs despite the decline in the industrials. This diverse action should continue and my market opinion remains the same. I expect the averages to move in a relatively narrow trading area with worthwhile moves in both directions in individual issues.

In my recommended list for capital appreciation for six months or longer, I have attempted to select issues with attractive patterns plus a sound background of fundamentals. Some patience is often required, but the upside potentials offset this. The list is reviewed periodically and a summary of the outlook for each issue starts below:

ALLEGHANY CORP. (10) This highly leveraged investment company, with major holdings in Missouri Pacific, New York Central and Investors Diversified Services, is an interesting long term speculation. Originally recommended at 3 3/4 in late 1954, it moved up to a high of 11 in June 1955 and has been consolidating in the 11 - 7 5/8 range since. Would continue holding and buy on moderate weakness. The intermediate term potential on my technical work is 13-15 and the longer term potential is 17-18.

ALLEGHENY LUDLUM STEEL (41) - This stock has moved up sharply since its original recommendation at 16-15 (adjusted for 2-for-1 split in 1955), but higher levels are still indicated. The bulk of Allegheny's output is in specialty steels and it also has a promising position in titanium. Earnings for the first quarter were $1.23 and a $5.00 potential for 1956 is conservative, it would appear. The dividend of 40¢ quarterly to yield only 3.9% is a conservative payout and an extra or stock dividend is a possibility. A high of 43 1/8 was reached in March and the stock has since held in the 43-40 area. The long term potential is 75 and there is downside support at 38-35. The stock should be held and added to on moderate price declines.

AMERICAN POTASH & CHEMICAL (115) This stock has been in my list since 1954 when it was recommended at 40. Despite its rise to a recent high of 120, retention is still advised. Earnings for the first quarter were $1.74 as compared with $1.33 in the same quarter of 1955. Earnings for 1956 could reach the $7.00-$8.00 level. On $8.00 earnings, the price to earnings ratio would be 14.4, a modest ratio for a growth chemical company. The stock split of 2 1/2 shares for 1 was recently approved and "when issued" trading in the new stock has started. The technical upside potential is 120-150 but the pattern may broaden. There is downside support at 110-105. The stock should be held and added to on moderate price weakness.

BARBER OIL (65) originally recommended at 59 last year, remains a long range speculation on development of "special situations" on the part of a management whose record in the oil industry speaks for itself. According to the latest balance sheet there is about $27 per share of cash and govern-bonds behind each share of Barber, plus some $6.00 per share of market value of TXL Oil and Texas Pacific Land Trust stock. Considerable cash flow is provided by a fleet of tankers which are said to be operating at a profitable rate so far this year. Since Barber is currently believed to be selling well below true liquidating worth, the investor would seem to be getting good value, plus the speculative potential inherent in new ventures on which the company may embark. Barber has for some time owned a 50% interest in American Gilsonite, which last year announced a commercially feasible process for obtaining gasoline from this mineral. The company recently concluded a contract with Kirby Lumber to explore 290,000 acres owned by that company in Texas and Louisiana. Intermediate-term objective is 75-80, followed by 105-115. Support is encountered at 65-60.

BLACK & DECKER (38) This stock, recommended at 19, has been resting in the 40-43 area since the 2-for-1 split in September, 1955. This "do-it-yourself" stock is broadening operations in foreign countries. Its products are used mainly for maintenance purposes. Earnings for first 6 months of 1956 fiscal year (ending Sept.30th) were $2.44. Dividend payout of $1.00, plus stock dividends is modest and could be increased. Upside penetration of the 8-month old 33-40 trading range would indicate 44-49 followed by a long term potential of 65-70.