

Walston & Co. Inc.

Members New York Stock Exchange

NEW YORK • PHILADELPHIA • LOS ANGELES • SAN FRANCISCO • BASLE (Switzerland)

OFFICES COAST TO COAST CONNECTED BY DIRECT PRIVATE WIRE SYSTEM

TABELL'S MARKET LETTER

September 28, 1956

Although my technical indicator is quite a way from registering a buy-signal, the market has reached an important downside objective at 170-167 in the Dow-Jones 65-Stock average. This is also a very strong support level. Because of the recent decline, many stocks in my recommended list would appear suitable for accumulation on further weakness and support levels should be scrutinized very closely to provide clues for possible buying opportunities.

One effect of the recent decline has been that stocks of prime investment-quality are now available at new low prices. Four such stocks appear particularly attractive and are reviewed below. They are being added to our recommended list which will be reviewed in its entirety in a future copy of this letter.

AMERICAN CYANAMID (67) is one of the largest and most diversified of America's chemical companies. Over 25% of its sales are derived from drugs, which are produced by its wholly owned subsidiary, Lederle Laboratories. Lederle is prominently identified with antibiotics and is one of the leading producers of this type of wonder drug. In addition to its basic chemical sales and extensive drug position, Cyanamid has numerous other avenues of growth. Formica Company, a leading plastics maker was acquired in April and a new acrylic fiber is affording entrance to the textile field. 1956 earnings should reach \$4.50 per share and the \$3.00 dividend affords a better-than-4% yield. The technical position of the stock has, for a long time, been one of the best of the major chemicals. Technical objectives are 88 and 140, with strong support afforded at 65-63.

GENERAL ELECTRIC (56) has recently reacted to the strong support area just above 55-53 and at current levels this growth stock would appear to be suitable for purchase in investment accounts. Sales of heavy electrical equipment should increase over the near and longer terms as the capital goods boom continues, and consumer sales should also continue strong with profit margins aided by price increases. Strong emphasis on research and dominant position in its industry assure continued good results for the longer term. 1956 earnings should be in the neighborhood of \$2.60 - \$2.75 per share vs. \$2.31 last year. Technical objective is 70-80, followed by possible higher levels, with strong support as mentioned above, at 55-53.

Petroleum-rich GULF OIL (113) has sold off sharply from its 1956 high of 147 1/2, ostensibly due to Suez developments. Although middle-East difficulties certainly provide a question, there is little doubt but what the matter must eventually be settled and Gulf's interests protected. Since current share prices place a value of about 19 cents per barrel on Gulf's oil in the ground, the stock would appear fairly priced in relation to its potentialities. In addition to its huge half-interest in Kuwait, Gulf owns considerable interests in the United States, Canada and Venezuela. At current prices the stock is close to a strong demand area and appears eminently eligible for purchase.

Steel stocks have been among the leaders in recent markets and have, for the most part, held extremely well during the latest market decline. Current prices make most shares available just above strong technical support levels and the stocks appear to be fairly priced based on best available estimates of future steel demand. U. S. STEEL (65), the industry leader, would seem to have special attraction at current levels. The outlook for the near term is for increased volume at better margins which should make up strike losses and bring full year earnings to a figure which should compare well with the \$6.45 shown in 1955. The \$2.60 quarterly dividend could well be liberalized in the near future. The stock recently broke out on the upside of a long trading range in the 52-62 area and the upside potential of this base is 90-97. Strong support is evidenced at 64-62.

EDMUND W. TABELL
WALSTON & CO. INC.

AWT:amb

This market letter is not, and under no circumstances is to be construed as, an offer to sell or a solicitation to buy any securities referred to herein. The information contained herein is not guaranteed as to accuracy or completeness and the furnishing thereof is not, and under no circumstances is to be construed as, a representation by Walston & Co., Inc. All expressions of opinion are subject to change without notice. Walston & Co., Inc., or any Officer, Director or Stockholder thereof, may have an interest in the securities mentioned herein. This market letter is intended and presented merely as a general, informal commentary on day to day market news and not as a complete analysis. Additional information with respect to any securities referred to herein will be furnished upon request.

WN 301