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TABELL'S MARKET LETTER October 12,1956

The stock market, as measured by the Dow-Jones average, continued to advance last week reaching a high of 491.18. It is problematical just as to how far the advance will continue, but normal technical action would call for a 1/2 to 2/3 retracement of the 60-point decline. This would indicate an objective somewhere in the 490-500 area which coincides with the heavy overhead supply at 500. This letter continues to stress, however, that the action of the averages is secondary to that of individual issues and continues to recommend the purchase of attractive issues close to support levels, regardless of the action of the general market.

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EAGLE PICHER COMPANY

Statistics

Current Market	43 3/4
Current Dividend	$2.20
Current Yield	5.0%
Long-Term Debt	$15,000,000
Common Stock	1,077,677 shs.
Earnings per Sh. 1956-E	$5.50
Earnings per Sh. 1955	$5.06
Sales,1956-E	$120,000,000
Sales,1955	$114,480,000
Mkt. Range 1955-56	47 3/8 - 27

Eagle Picher was originally recommended by this letter some years ago at a price of 22. At that time it was felt that management's efforts to diversify and expand into fields other than lead and zinc would eventually pay off in sharply expanded sales and earnings. It was pointed out that, by 1954, the company had become a major supplier of automotive parts, cellophane and polyetheline food wrappers,plastics and various other products supplying a wide range of industries. Indeed, the portion of zinc and lead sales to total sales had been reduced to 30%, and 70% of sales were in outside lines with the auto industry a major customer.

Under stimulus of this diversification, common share earnings expanded sharply from 1954 into 1955. Earnings reached $5.06 per share vs. $2.47. In 1954, sales were close to $115 million vs. $83 million.

In 1956, however, the company felt still another favorable effect of its diversification program, namely, the stability provided by servicing numerous industries rather than a single industry. Thus, although the company is a major supplier to the automotive industry, earnings for the first three quarters of the fiscal year to end in November were $3.63 per common share vs. $3.36 the year before. Full-year earnings are estimated in the neighborhood of $5.50 vs. $5.06. 1956 figures exclude a non-recurring profit of $1.38 arising from the sale of Mexican mining properties.

The lack of a dynamic improvement in earnings so far this year has caused sidewise action in the stock despite the fact that the small improvement shown must be regarded as a major achievement considering the fact that sales to the auto industry during 1956 were off sharply. With auto sales picking up in 1957, earnings could well approach $6.50 or more per share, making the stock seem rather underpriced at current levels in the low 40s.

One major questionmark is,of course, the government lead and zinc stockpiling program which is due to expire in December and may or may not be continued. Many industry experts feel, however, that the program will probably be continued and even were it to terminate, only a temporary squeeze on profit margins would take place. Therefore, even with discontinuance of stockpiling, 1957 net should compare well with 1956. Currently priced at eight times earnings and affording a 5% yield on the recently increased $2.20 dividend, Eagle Picher seems to represent an outstanding vehicle for capital growth. The stock has a long term technical objective of 61 followed by 97. For the near term, an upside breakout of the 39-43 range in which the stock has held for most of the year would indicate 51. Strong support is evidenced at 41-39 and the stock is recommended for purchase for income and capital gains accounts.

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