

# Walston & Co.

Inc

Members New York Stock Exchange

NEW YORK • SAN FRANCISCO • LOS ANGELES • PHILADELPHIA • CHICAGO

OFFICES COAST TO COAST CONNECTED BY DIRECT PRIVATE WIRE SYSTEM

## TABELL'S MARKET LETTER

Fort Myers Beach, Florida, April 3, 1958

The warm sands of a Florida beach far from the ring of the telephone make long range thinking much easier. This is particularly true when one considers what these sands were worth ten years ago and what they are worth today.

In our investments as well as in our speculations we are often much more concerned about the nearer term outlook than we are in long range planning. The shorter and intermediate term fluctuations are important, but the great majority of really large stock market profits have been made by first judging the long term trend correctly and then using the shorter range movements as a corollary to the main objective.

The longer range trend of stock market prices, in my opinion, is toward higher levels. If this reasoning is correct, the main objective of the investor or long range speculator today is to slowly accumulate stocks in companies where the longer term outlook favors continued growth and where prices are temporarily depressed by lower immediate earnings.

I say that the longer range trend of prices is toward higher levels because of two main reasons. First, because the favorable longer-term trends of population growth, rising standards of living and new research products have produced a growing population with increasing desires and the ability to obtain these desires. These developments are fundamentally sound and while they probably were overdiscounted at the stock market highs of 1956 and 1957, the longer term trends in population, standard of living and research continue to indicate growth.

The second reason is inflation. Whether we like or disapprove, facts must be faced. In my opinion, facts indicate that a slow inflationary trend will continue. At times there will be slight temporary deflationary setbacks like the present, but the main trend is inflationary. Governmental policies dictated to a certain extent by political reasons are partially responsible. The need to finance a growing economy, development of new markets in undeveloped countries in order to obtain our depleted raw materials are other reasons. The need to meet the challenge of Soviet Russia not only from a defense angle but from the economic and trade viewpoint is another.

While the longer range outlook for stock market prices is favorable, I do not anticipate any important immediate advance nor do I expect all stocks at a later date to participate in a broad bull market rise. There will be many stocks selling much lower ten years from now, just as there are many stocks today selling much lower than ten years ago despite the fact that the stock market averages have advanced more than 200%.

I continue to look for a trading range for the balance of 1958 and probably into 1959. The Dow-Jones Industrials, now 440.50, will probably continue to range in about the 480-420 area and the Standard & Poor 500-Stock Index, now 41.48, will probably range in the 45-39 area. Best immediate price action will be shown by the consumer goods stocks like utilities, tobaccos, food chains, drugs, soft drinks, etc. The reason for their strength is obvious. The soft goods companies have shown increasing earnings in 1957 and will continue a favorable showing in 1958. Other groups are slowly basing out and, while 1958 earnings may still be in a declining trend, a reversal is hoped for in 1958. Building suppliers, chemicals, and papers, would be among the groups in this category. The heavy industry groups probably will need a longer period of time to consolidate and base out and might in the meantime reach new low territory on unfavorable earnings reports. However, if the long term trend is toward higher levels, price weakness should be welcomed as an opportunity to buy sound, growth equities at attractive price levels. The next eighteen months may be the last opportunity to buy stocks on the present 525-415 range before they advance to a higher plateau.

EDMUND W. TABELL  
WALSTON & CO. INC.

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. and Officers, Directors, Stockholders and employees thereof, purchase, sell and 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.

W.N. 301