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TABELL'S MARKET LETTER

August 8, 1958

The market appears to be approaching a temporary climactic stage with heavy volume and a late tape combined with wide swings in the Dow-Jones Industrial Average for the week of 512.27 followed by 500.32 and back to a new intra-day high of 513.47, followed by a close of 510.13. Group rotation continues and virtually every group has now participated in the advance to at least some extent. Probably some temporary technical correction is needed on a short term basis. The first strong support area is the 485-480 zone.

The longer term picture remains the same. As stated in last week's letter, I believe the market is in a wide accumulation area bounded roughly by the 500-520 range and the 480-460 range with the eventual penetration on the upside at some indeterminate time. Probably the market leaders will follow the same pattern as the averages and will offer some excellent trading opportunities. Selected secondary issues, however, could show sustained strength while the general market remains in a trading area.

My recommended list consists largely of specialty-type issues for holding of six months or longer. Some profits have been taken, as noted in recent letters, on some of the defensive issues and in Raytheon at 33-35. I suggest profit-taking in capital appreciation accounts in Carolina Power & Light, originally recommended at around 24 and now selling in the 32-33 range. It can continue to be held in long term investment accounts. For new purchases, I suggest a look at Hoffman Electronics (28) which originally entered the list at around 22. It has backed away from its 29 5/8 high and is near the strong 27-25 support zone. Also, Wilson & Co. (24 1/2) despite its advance from 15 to 25, still indicates higher levels. It is, in my opinion, outstanding among the meat packing shares. International Minerals & Chemical (30 1/4) has shown below average relative strength recently, but has a potentially strong technical pattern and appears to be an interesting speculation at around current levels. Another issue in a similar category is United Biscuit (31 3/4). For income and eventual appreciation, Philip Morris (53 1/4) with a yield of 5.6% is an attractive purchase as is Family Finance (28 1/8) with a similar yield.

For intermediate term holding, one of my favorite groups is the department store issues, despite the fact that the group is not particularly liked in financial circles. A good part of the lack of interest in this group probably stems from the fact that department store stocks have done very little marketwise for a long time and are considered a dull and lifeless group. Yet in past markets, these issues have been quite dramatic. In the 1942-1946 market, for example, some department store stocks advanced from 500% to 2000%, while the Dow-Jones Industrial Average gained 129% during the same period. Of course, the background was different in the 1942-1946 period than it is today and no such percentage advance seems probable at this stage, but the group is slowly breaking out on the upside of a wide potential accumulation stage. The fundamentals would appear to bear this out. Department store sales for the first six months are only 3% below 1957. Considering the recession, this is an encouraging sign of continued high consumer buying power. In July, sales were close to the level of a year ago and further gains are expected as the year goes on.

Most of the stocks in the group appear attractive, but my selection is Gimbel Bros. Selling at 28 1/2, the stock is paying a 40¢ quarterly dividend to yield 5 1/2%. For the year ended January 31st, 1958 earnings were \$3.69, excluding capital gains of 73¢ a share. Earnings for the quarter ended April 30th were down to 26¢ as compared to 52¢ in the previous year, but the bulk of earnings are usually registered in the last two quarters. The company operates ten Gimbel department stores, Saks-34th Street and a chain of Saks-Fifth Avenue stores in leading shopping centers. The range on the stock since 1955 has been 31 1/8 high and 20 low. Ability to break out of this range on the upside would, from a technical point of view, indicate a good percentage advance.

Despite their price advances, would continue to hold the remaining stocks in my recommended list, namely: American Can (47), Anchor Hocking Glass (53 1/2), Container Corp. (23 3/4), Lily Tulip Cup (86 1/4), National Gypsum (54 3/4), Pan-American World Airways (18), and Zenith Radio (96 1/2).

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