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TABELL'S MARKET LETTER

September 19, 1958

Bullish sentiment continues to grow and the market pushes on to new highs. The intra-week high of 527.74 on the Dow-Jones Industrial average pushed this average into new all-time high territory. The Standard & Poor 500 -Stock Index at an intra-week high of 49.71 is flirting with its all-time high of 49.74.

Meanwhile, the pundits continue to argue about market action. The bears point out that the market, based on current earnings and dividends, is at levels reminiscent of previous major tops. The bulls, on the other hand, point to indications of continued inflation and a new-business boom-which can be expected to increase earnings and carry the market to new highs.

Whichever school of thought eventually proves to be correct, it would seem possible to strike a happy medium by purchasing stocks which are still fairly valued on a historical basis and which are in a position to participate in any future business boom. There are, it would appear, a number of such opportunities available in today's stock market.

A large number of these opportunities are to be found in industries which will benefit from a major change in consumer spending patterns, which now appears to be taking place. This change is, basically, away from major appliances, automobiles and consumer durables and toward soft goods and other semi-luxury items. The signs are beginning to appear that the consumer is turning away from the powerful automobile as a status symbol and is now beginning to spend his money on such items as clothes, cosmetics, soft drinks, alcoholic beverages, airline trips, and other such goods. This change is not yet well defined, but enough economic barometers point in this direction to make the investor sit up and take notice.

Companies that will benefit from this trend have been largely neglected by the investing public over the past decade. They include the retail stores, many of which have broken out of long accumulation bases and from a technical point of view appear headed for much higher levels. Retailers now feel that Christmas sales will set new all-time records and that total 1958 volume, despite a first-half slow-down by the recession, could well reach new highs. Further expansion is looked for in 1959, and, on improving margins, earnings could increase quite sharply. GIMBEE (33 1/2) on our recommended list, this week posted a breakout at 32 and now has an upside objective of 43-45. Also neglected by the public for many years have been clothing companies, both in the manufacturing and retail field. HART, SCHAEFFNER & MARX (31), a leading manufacturer of men's clothing, provides a better than 5% yield on a dividend earned better than twice over, based on ten-year average earnings. Its pre-eminent position in the clothing field should assure participation in any growth in clothing expenditures. The stock has an upside objective of 55. BOND STORES (19 5/8) a leading retailer of men's clothing, is in the position with a well covered dividend providing a generous yield. Upside objective here is 30, followed by higher levels.

Despite the recent flurry caused by the new Federal Excise Tax law, distilling shares still have attraction and population figures indicate that consumption of alcoholic beverages is probably just beginning an uptrend. AMERICAN DISTILLING (34 3/4) which is in our recommended list, appears attractive with an upside objective of 40 followed by a possible 67. An uptrend has already been confirmed in soft drink consumption and both CANADA DRY (18 1/8) with an upside objective of 29, and COCA COLA (114 1/2) with an upside objective of 160, have merit.

The list could be extended into many other fields. It would include many airlines, finance companies, cosmetic and toiletry producers, and others. Since most of these stocks have done nothing marketwise for many years, the upside potentials inherent in the accumulation bases formed are enormous. If present signs are correct, the American consumer, exercising his free choice in the marketplace, may reward the patient investor in these stocks.

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