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TABELL'S MARKET LETTER

March 26, 1959

The general market drifted lower during most of the week with the Dow-Jones Industrials, at 606.58, off 3.79 points from the previous Friday's close. Volume of trading on the New York Stock Exchange declined along with the dip in the price level.

The real scene of activity was the American Stock Exchange where the volume was almost equal to that of the Big Board. Many stocks of extremely questionable quality have been having a field day on the American Stock Exchange in recent weeks. This activity reached a climax in the past fortnight and on Thursday, these stocks took a severe beating and suffered drastic price declines both in number of points and percentagewise. This should have come as no great surprise to anyone. It was just a matter of when it was going to happen and how ridiculously high some of these issues were going to go before the inevitable decline occurred.

In a sense, the market situation today is quite similar to that of March, 1955. At that time the market had been advancing for eighteen months and had moved from 255 in the Dow-Jones Industrials to over 420. The advance had everyone worried, including Washington, and Congress conducted the Fulbright inquiry. There were sharp advances in issues of questionable quality with the only difference from today being that the names were different ones -- like Bellanca Aircraft, United Dye Works, and others. In March of 1955, issues of this type declined sharply and continued to drift lower for two years. The general market declined mildly, in sympathy, from 420 to 385 and then continued to advance until April, 1956 when the industrial average reached 525.

The technical pattern is quite similar today. Most stocks have only small top patterns, if any. The Industrial average has a strong support level at 600 to 580 and the technical pattern suggests a dip into the support zone. There are no signs of longer term deterioration in the great majority of issues.

While a great number of issues appear to be very optimistically priced today, there are a number of good values still around. NORTHROP CORP. (40 1/4) is a case in point. Earnings for the six months ended January 31st were announced last week at \$1.97 a share, against \$1.82 the previous year. Our West Coast Research Department has just issued an excellent report on Northrop Corp. It points out that in their search for electronic and missile stocks, investors seem to be overlooking Northrop which derives nearly 70% of its business from electronics, missiles and related products, and management expects this percentage to increase. Northrop ranks among the largest electronics companies west of the Mississippi with electronic sales alone higher than such substantial enterprises as Ampex, Beckman Instruments, Consolidated Electrodynamics, and Hoffman Electronics. Despite these factors, the stock is selling at only 9.4 times earnings of \$4.29 for the fiscal year ended July 31, 1958. Northrop is on my recommended list. Another issue on my recommended list that appears undervalued is WILSON & CO. (37) despite its sharp advance from a recommended level of 15 to 38. Earnings for the fiscal year ended October 31st were \$3.10 a share, but are estimated at a possible \$4.50 a share for the 1959 fiscal period. Improved operating methods, packaging and diversification have made the meat packing much less cyclical than in the past. Another company showing an improving picture is NORTHWEST AIRLINES (40 3/4). February revenues set an all-time record for the month. Its new route from Chicago to Florida has largely eliminated the usual large seasonal losses in the winter months. Estimates of 1959 earnings indicate \$5.00 a share before possible capital gains.

Some of the railroad earnings for the first two months of 1959 make interesting comparisons with a year ago. Atchison, Topeka & Santa Fe earned 21¢ vs. 11¢, Southern Pacific \$1.20 vs. 84¢, and Western Pacific \$1.26 vs. 49¢. The rail average has been resting in the 168-157 area since mid-January and has built up an excellent potential base.

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