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TABELL'S MARKET LETTER

August 7, 1959

Since January, 1955, this letter has been following the fortunes of four groups of twenty stocks in an effort to determine the character of the stock market. The introduction to the first such compilation, made four and one-half years ago, read as follows:

"Few people realize how diverse the action of the market has been over recent years. Regardless of the fact that the Dow-Jones Industrial average has advanced for over five years with just a few minor interruptions, the action of various types of securities has been quite different. Many holders show losses on individual securities despite the fact that the general market has been in a broad advance since 1949. As always, it has been dangerous to buy the wrong securities at the wrong time. In the main, it has definitely paid to own quality issues over recent years. The following compilation may be of interest. It presupposes an investment of \$100,000 in four different groups of stocks at the 1946 highs. The first group is composed of twenty growth issues and presupposes an investment of \$5000 each in such growth companies as Dow Chemical, Corning Glass, I.B.M., etc. The second group is composed of twenty stocks of investment quality. It was selected from the twenty favored issues of 130 Common Trust Funds of leading trust companies. It includes such issues as General Motors, Standard of New Jersey, General Electric, National Dairy, Sears Roebuck, etc. The third group consists of good quality dividend-paying issues a bit below the investment quality of the second group. It consists of issues like Allied Stores, Allis Chalmers, Babcock & Wilcox, National Gypsum, etc. The fourth group consists of lower-priced, more speculative issues. It comprises the twenty most actively traded issues in 1953 selling at around 20 or lower. It includes the issues in which the general public usually trades. It consists of issues like Armour, Avco, International Telephone, New York Central, Pennsylvania, Pepsi-Cola, etc."

Following are the results of this study showing the value of each group at the 1949 low and the 1956-57 high for each individual stock in the group. The conclusions drawn from the performance during that period are rather obvious.

	1946 High	1949 Low	1956-57 High
Growth Issues	\$ 100,000	\$ 85,403	\$660,301
Investment Issues	100,000	69,932	318,144
Medium-Grade Issues	100,000	47,520	206,524
Low-Priced Issues	100,000	30,095	88,111

It can be seen that the growth issues outperformed all the others by a wide margin both in the 1946-49 bear market and the 1949-1957 bull market. Next best performer in both markets was the Investment group, followed by the Medium-Grade portfolio. The Low-priced speculative issues were, of course, the worst performers, losing more than two-thirds of their value at the 1949 low and never recovering their 1946 value even at the 1956-57 highs.

Since that time, however, relative performance has been somewhat different and conclusions are not quite so easy to draw. The following table shows the performance of each group since the 1956-57 high.

	1956-57 High	1957 Low	% Decline 1956-57 High-1957 Low	Value 8/6/59	% Adv. 1956-7 High To Date	% Adv. 1957 Low To Date
Growth Issues	\$660,301	\$392,086	41	\$747,198	13	91
Investment Issues	318,144	220,409	31	331,729	4	51
Medium-Grade Issues	206,524	110,201	47	184,480	(-11)	68
Low-Priced Issues	88,111	44,948	49	121,550	38	170

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The first fact to be noted was that the performance of the four groups in the 1957 correction was somewhat different from their action in the 1946-49 bear market. In 1957, the Investment -Grade group declined far less than did the growth issues, dropping only 31% vs. a fairly high 41% drop for the growth equities. Also, the Medium and Low-priced portfolios, while losing almost 50% of their value, did not fare as badly relative to the other groups as they had in 1946-49.

The most striking difference appears, however, when the study is brought up to date. The relative performance of the Growth group has again improved with this portfolio having advanced 91% in value from the 1957 low to date, vs. a 51% advance for the Investment group. Thus, the Growth stocks are now 13% above their 1956-57 highs and the Investment group only 4% above those highs. The Medium-Grade portfolio, while it has advanced 68% from the 1957 low is, however, still the only group of the four below its 1956-57 high.

It is in the Low-Priced portfolio that the real change in performance has taken place. This portfolio has advanced 170% from its 1957 low, the best performance of any of the four groups in the study. It is now 38% above the 1956-57 high, a better performance in this respect also than any of the 3 other groups. Significantly, for the first time since this study has begun, the value of the portfolio has risen above the original \$100,000 invested in 1946.

This seems to be graphic proof of a theory often advanced by this letter -- namely that we are in the final stages of a bull market and that one of the characteristics of this stage is an advance in low-priced, speculative securities. For the first time since 1946, these issues have enjoyed a worthwhile advance and many of them appear ripe for further gains. Indeed, since there as yet has been no sign of a major top developing for stocks in general, these issues still constitute good investment media for the agile trader. The longer term investor, however, had best note that the same group of stocks lost almost 70% of their value in the three years following 1946 and that the investor in these stocks at their highs waited twelve years to recoup his original investment.

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AWT:amb

Dow-Jones Industrials - 668.57
Dow-Jones Rails - 164.45

NOTE: The actual figures in this study are slightly different than those in previous studies due to refinement of a few statistical inaccuracies in the previous data. The general trends and conclusions drawn are the same, however. The names of the issues in each of the four groups, together with the number of shares owned based on the present capitalization may be obtained at your nearest Walston office.

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The following are the stocks mentioned in the Tabell Market Letter of August 7, 1959, together with the number of shares which would be owned as of this date, adjusting for all stock dividends, split-ups and capital changes since 1946:

GROWTH ISSUES:

769 Aluminium, Ltd.	333 Goodrich	188 Pfizer
217 Amerada	234 Intern'l Bus. Mach.	258 Radio Corp.
178 Carrier	291 Minn. Honeywell	193 Rohm & Haas
312 Corning Glass	689 Minn. Mining	360 Scott Paper
388 Dow Chemical	263 Monsanto	263 Shell Oil
86 DuPont	357 National Lead	120 Union Carbide
512 El Paso Natl Gas	280 Owens Corning	

INVESTMENT ISSUES

192 American Can	178 Johns Manville	384 Stand. Oil Calif.
314 Amer. Cyanamid	82 Kennecott	200 Stand. Oil Indiana
86 DuPont	221 National Dairy	416 Stand. Oil of N.J.
287 General Electric	86 Penney, J.C.	333 Texas Company
178 General Foods	277 Phillips Pete	120 Union Carbide
373 General Motors	307 Sears Roebuck	125 Westinghouse Elec.
172 Gulf Oil	333 Socony Mobil	

MEDIUM-GRADE ISSUES

78 Allied Stores	260 Clevite Corp.	183 National Gypsum
159 Allis Chalmers	100 Crane Co.	72 New York Air Brake
645 Babcock & Wilcox	166 Distillers Corp.	571 Penn-Dixie Cement
184 Blaw-Knox	83 Carrier (1)	131 Rheem Mfg.
197 Bucyrus-Erie	294 Joy Mfg.	122 Gen'l Tel. & Electron.(2)
229 Burroughs	286 Lowenstein	213 Yale & Towne
116 Chain Belt	408 Mead Corp.	

LOW-PRICED ISSUES

251 Amer. Airlines	90 Gimbel	105 Pennsylvania RR
296 Armour	159 Intern'l Tel & Tel	123 Pepsi-Cola
348 Avco	(61 Loew's, Inc.)	216 Raytheon
165 Balt. & Ohio	(61 Loew's Theatres) (3)	253 Rexall Drug
259 Canada Dry	211 Mack Truck	205 Servel
333 Columbia Gas	139 N. Y. Central	125 Spiegel
555 Emerson Radio	172 Pan-Amer. W. A.	195 Studebaker-Packard(4)

- (1). Exchanged for original holding of Elliott Co.
- (2) Exchanged for original holding of Sylvania Elec.
- (3) Exchanged for original holding of Loew's, Inc.
- (4) Exchanged for original holding of Studebaker.

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