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TABELL'S MARKET LETTER

March 18, 1960

Stock market cycles have a tendency to repeat themselves.

On February 17th, the Dow-Jones Industrial average made a new low at 603.34 and then rallied sharply for the next few days. At the time, as was pointed out in this letter, short term indicators turned favorable but there was no improvement in such intermediate term graphs as upside-downside volume, the advance-decline ratio, etc. The short term buy signal shortly reversed itself and the averages made another low on Wednesday, March 9th. From that point the general market turned upward and the industrial average reached a high of 620.90 Wednesday. So far, this weeks market action has been very similar to that of three weeks ago. Although a short-term buy signal has been given, intermediate term indicators remain unfavorable to neutral and, so far, the market has not built up a sufficient base to indicate an immediate upside move of other than trading-rally proportions. However, two months have now been spent in, roughly, the 595-640 range. Further backing and filling within this range would be the most healthy thing that could happen to the market and, if it continues, a base could be built up for quite a worthwhile move. Meanwhile, prudence remains the best policy.

As was pointed out last week, declining and consolidating markets provide excellent opportunities to single out individual issues which are acting better than the market as a whole. Such issues can be considered strong candidates for purchase on any minor weakness which may take place. Relative strength measurements have recently turned sharply favorable on two major groups, grocery chains, and building materials companies. With this in mind, two stocks in each of these groups are being added to our recommended list.

Grocery chains were one of the outstanding equity groups from mid-1957 to early 1959, during which period many stocks in the industry advanced over 100%. Since that time, most issues have held in rather narrow trading ranges, thus forming sizable potential bases. Recent improvement in relative strength indicates that the breakout from these trading ranges will probably be on the upside.

WINN-DIXIE STORES (45) has reported an earnings increase in every year since 1951. Latest full-year earnings are \$2.22 per share for the year ending June 30, 1959 and results for the first half of the 1960 fiscal year were \$1.27 vs. \$1.11. The stock is one of the few companies that pays a monthly dividend and the 10¢ monthly rate provides a yield of 2.7%. Technically, ability to reach 47 would indicate 70.

KROGER COMPANY (35) earned \$2.06 per share in 1959 vs. \$1.76 in the prior year, and further expansion is possible for 1960, as an aggressive modernization program is pursued. The recently-raised \$1.10 dividend provides a 3.1% yield and upside objective is 46 followed by possible higher levels.

Many of the building materials stocks have also held in narrow trading ranges recently and upside breakouts would indicate considerably higher levels. Ability of BESTWALL GYPSUM (41) to reach 43 would indicate 71 and a penetration to 58 on GEORGIA PACIFIC PLYWOOD (49) would indicate 87. Both these patterns could broaden. Bestwall Gypsum is the third largest factor in the gypsum industry and is currently in the midst of an important modernization program designed to improve efficiency and increase capacity. While no immediate improvement in residential building activity is looked for, any future increase would probably have a more beneficial effect on Bestwall than on its competitors and eventual earnings could be well above the \$2.40 earned per share in 1959. Heavy capital requirements have made it impossible to pay cash dividends but small stock dividends have been paid annually. Georgia Pacific has greatly enlarged its timber holdings in recent years and these holdings give the common stock impressive asset value. Earnings in 1959 were \$2.55 per common share, and the current dividend rate of \$1.00 has recently been supplemented by quarterly 1% stock dividends. The stock is regarded as an attractive long term holding.

Dow-Jones Industrials 616.42
Dow-Jones Rails 145.44

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