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TABELL'S MARKET LETTER

August 24, 1962

At the week's intra-day high of 622.02, the Dow-Jones Industrials reached the lower part of our 620-650 upside objective. Some consolidation is to be expected, but the technical pattern gives no indication of any great vulnerability at the moment. The breadth index has confirmed the rise in the averages by also moving above the early July high. Volume indications are favorable and it would appear that the selective advance could continue to the upper portion of the 620-650 area. Patterns of individual issues are quite diverse, but most stocks that have formed potential base patterns since May have not yet reached their upside objectives and no top patterns have been formed as yet.

In the three months since May, quite a few individual issues have built up sizeable potential base patterns. In some cases these base areas have been penetrated on the upside and, from a technical viewpoint, indicate higher levels over the intermediate term.

Air Products & Chemical (59) is an example of this type of technical action. The company specializes in cryogenics (the low temperature processing of gases and liquids). Its growth rate has been well above average. The stock, listed on the New York Stock Exchange, reached a high of 86 1/2 in 1961. The downside implication of the 1961-1962 top was, from a technical viewpoint, a decline to the 46-40 level. A low of 41 1/4 was reached in May and a sizable base area was formed in the 42-55 range and recently penetrated on the upside. Earnings for the fiscal year ending September 30th are estimated at about \$3.00 a share compared to \$2.47 in the 1961 period. Cash flow earnings for the 1962 fiscal period are estimated at over \$6.00 a share. Dividend payments are nominal at 20¢ annually, plus a 2% stock dividend in March, 1962. The stock is recommended for long-term growth.

Alside, Inc. (27) also has built up a sizable potential base pattern. The company is the leading factor in the aluminum siding industry and accounts for about one-third of the domestic market. A recently organized wholly-owned subsidiary, Alside Homes Corporation, is scheduled to begin production of an "all-aluminum" mass produced home in the later part of this year. The stock reached a high of 49 3/4 early this year. The downside objective of the 1961-1962 top was 24 by our technical work. A low of 20 was reached in May. A potential base area has been formed in the 20-28 area. An upside penetration of this area would be constructive from a technical point of view. The stock is speculative and is generously priced in relation to its present earnings. Earnings for the fiscal year ended September 30th, 1961 were 81¢ on the combined Common stock and Class B common stock. Earnings for the nine months ended June 30th, 1962 were 64¢ compared to 56¢ in 1961 period. There are 503,430 shares of common stock listed on the New York Stock Exchange and 1,364,480 shares of Class B Common stock, unlisted. The Class B stock is closely held and convertible into common. The stock is recommended as a long-term growth speculation.

Universal Oil Products (34 3/4) has also built up a sizable potential base pattern in the past three months. The company is engaged in research and development in the petroleum, petrochemical and chemical fields. Royalties, engineering and services account for over 60% of gross profits with the remainder from product sales and construction. Reported earnings for 1962 are not expected to show much change from the \$1.58 reported for 1961 because of a strike early in 1962, and other reasons, but earnings are expected to rise sharply in 1963. Cash flow earnings are substantially above reported earnings. The stock reached a high of 69 1/2 in 1961. The 1961-1962 top indicated, from a technical viewpoint, a decline to 27. The May-June low was only 30 1/4, but there is a strong support level at 30-25. Since June, the stock has held in the 31-37 range. Purchase is recommended for long-term growth.

Three stocks already on our recommended list have also built up substantial potential base patterns from a technical viewpoint. Burroughs (38 7/8), declined from a high of 52 3/8 to a low of 32 5/8. A substantial base was formed in the 33-39 range. This has been penetrated on the upside. Despite slow recent action, the technical pattern suggests higher levels. Cluett Peabody (39 1/2), which declined from 53 to 32, also has built up a substantial potential base in the 32-42 range as has J. Ray McDermott (23 7/8) in the 20-25 area.

Dow-Jones Ind. 613.74
Dow-Jones Rails 124.34

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