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OFFICES COAST TO COAST AND OVERSEAS

TABELL'S MARKET LETTER

April 19, 1963

The market, from a shorter-term point of view, is beginning to show some indications of technical deterioration. The breadth indices are continuing to confirm the rise in the market averages, but at a slower pace. The favorable action of the twenty-five week moving totals of volume and advances and declines also is continuing, but these indices could turn negative over the next week or so. Twenty-five weeks ago was the Cuban crisis low when the Dow-Jones Industrials reached 549.65. From now on the volume and number of advances must continue upward at an accelerated pace in order to offset the higher take-off figures. The shorter-term ten-week moving totals are already beginning to show below-average action. These totals now show slightly more declining stocks than advancing stocks. Obviously, the market has not yet built a top pattern, and any technical decline at this point would meet downside resistance off the top of 690-670 support area where the market held for two months. There are enough individual issues that indicate higher levels over the near term to suggest a continued trading area at a high level. During such a period, the breadth indices must be watched closely for signs of possible further technical deterioration.

This letter continues to believe that the market is in a broad accumulation area, but that more time is needed before the pattern is completed and the market is ready to resume the advance on a broad scale. In perusing the graphs of some eighteen hundred or more individual issues, we can find a sizable number that have formed excellent technical patterns and suggest considerably higher levels over the longer term. Most of these issues are of higher or above-average quality companies. They comprise probably only about 25% or 30% of the total. The balance of the list indicates the need of further consolidation before, from a technical viewpoint, they can advance to new high territory. It is our thought that, at this stage of the market pattern, there are not enough strong issues to suggest a roaring bull market. It is much like a football squad that has a very strong first team but not enough reserves to start a series of successive victories. It will take time to train the second and third and, eventually, fourth team. This is another way of saying that most of the market participation up until now has been by institutional and professional investors in better quality issues. The speculative public element that carried the lower-quality "growth" and new issues to ridiculous heights has been badly mauled and is still on the sidelines. It will take some time before this pattern changes.

In the meantime, the market is forming a base for ultimately higher levels. Individual issues will show above-average action while the main body of stocks continue to consolidate. Our recommended list was sent out this week to all Walston offices and can be obtained from your Account Executive.

One issue in the list is AMERICAN VISCOSE (63). Most investors are aware of the company's plan to sell its operating assets to FMC Corporation, converting the operation into a holding company whose principal assets will be \$116 million in cash, and Monsanto Chemical common stock. As we have pointed out, the total value of these holdings, plus a tax loss carry-forward, could be close to \$80 per share, and the presumption is that the company will, sooner or later, liquidate, allowing stockholders to realize something close to this value. There has been some disquietude of late due to the announcement that the Justice Department may act to block the sale and also because Viscose has taken steps to register as an investment company. This latter step, the company has indicated, is purely a temporary measure. In regard to legal action by the Government, both Viscose and FMC have indicated that they would vigorously oppose any injunction in the Courts. However, even assuming the FMC sale is blocked, it does not seem that Viscose is overpriced at current levels. The value of Viscose's holdings of Monsanto is currently \$40 per Viscose share. Obviously, in a holding company this should be valued at a discount. Applying a generous discount of 20%, this gives a value of \$32 to the Monsanto holdings, leaving some \$30 per share currently being paid for Viscose's operating assets. These earned \$2.21 in 1962 and with improvement in the rayon picture should do better in 1963. Downside risk, therefore, appears to be limited in comparison with the upside potential inherent in liquidation and we continue to recommend the stock for purchase.

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Dow-Jones Ind. 711.68' 711.00
Dow-Jones Rails 159.57

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