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TABELL'S MARKET LETTER

May 24, 1957

After turning somewhat reactionary during the middle of the week, the Standard & Poor 500-Stock Index strengthened on Friday and closed the week at 47.21, a slight gain over the prior week's closing. The market appears to be encountering some difficulty in pushing through the overhead supply which exists at the 47-49 level in the Standard & Poor Index. With little or no change in the market level, my intermediate term technical indicator is still well below overbought territory. At this point two possibilities exist. The first of these is a continued advance which would test the 1956 highs and would carry the oscillator into overbought territory. Based on technical patterns of individual stocks, this action is more probable. There is a possibility, however, that a long consolidation around current or slightly lower levels could result in a "center line" sell signal. In any case, the resultant signal would be given at a higher level than the buy indication given in February at 43.04 in the Standard & Poor Index.

Numerous stocks in our recommended list have acted well since the buy signal was given. AMERICAN CYANAMID (86) reached a high on Friday of 86 5/8, after being recommended on March 1, 1957 at a price of 71. Shareholders have recently approved the two-for-one split and the split stock is now trading on a when-issued basis. The original recommendation of American Cyanamid was made on the statistical basis that it was demonstrably cheaper than any of the other major chemical companies. Despite the sharp rise, the stock is still fairly priced in relation to other major chemical equities. The 1957 outlook also appears to be as good or better than that of the other companies in the group. A large part of this is based on ACY's commitment to the profitable ethical drug field.

Most drug stocks have, as a matter of fact, performed well in recent weeks. In the proprietary drug field, BRISTOL-MYERS (49 1/2), which has been on our recommended list for some time, has shown improved earnings in the first quarter with \$1.17 per share having been earned vs. \$1.01 in the 1956 period. The company is understood to be having good results with its new proprietary products in the dandruff removal and laxative fields and sales of Ban, a new deodorant, are surpassing expectations. Earnings for 1957 could reach a minimum of \$4.00 and possibly better this figure.

Most steel stocks have acted fairly well since the February lows and selected steels continue to be among our favorite media for capital appreciation. CRUCIBLE STEEL (34 3/8) moved ahead last week after being "behind the market" generally. Part of the market interest in Crucible stems from its commitment to the titanium field. Its subsidiary, Ren-Cru Titanium, jointly owned with Remington Arms, should show much improved earning power in 1957 as compared with a breakeven year in 1956 when the company was affected by strikes and mechanical difficulties. Estimates of Crucible's equity in 1957 earnings have run as high as 55% - 60% per share of Crucible. This, of course, is in addition to an estimated \$4.00 net from operations this year.

GENERAL RAILWAY SIGNAL (31 1/4) recently declared a 25% extra dividend in addition to the regular 25% quarterly, indicating a payout of at least \$1.25 this year. Another extra will, in all probability, be declared later on in the year and full-year payout should reach at least \$1.50 on which basis the stock would yield close to 5%. Earnings for 1957 could well reach the \$3.50 - \$4.00 range and growth will continue with increasing railroad spending on modernization.

WESTERN PACIFIC (56 3/4) released excellent operating figures for April with 81% a share being earned before funds, vs. 65% in the like 1956 period. This makes a total of \$2.19 earned thus far this year as against \$1.81 in 1956. Operating prospects for the balance of the year appear favorable and technical action has recently been improving noticeably.

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