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TABELL'S MARKET LETTER

October 4, 1957

After reaching a high of 468.15 in the Dow-Jones Industrial Average on Wednesday, the market reacted to a low of 460.71 on Friday. Comparable figures in the Standard & Poor 500-Stock Index were 43.39 & 42.66. Market action still appears positive and constructive, but further backing and filling in between 450 and the supply at 470 appears indicated. A downside penetration of 450 would indicate 430 and an upside penetration of 475 would indicate 490. Neither probability appears likely at the moment, although the market may build up a base for a fairly significant upside move later on in the year.

Meanwhile, individual stocks show diverse action. Many stocks in the consumer goods group, which this letter has favored over the past month, have performed very well. Other groups, such as the paper industry, show improving relative strength on declines, thus indicating that long term bottoms may be at hand. Concentration on individual groups and stocks will remain the key to investment success.

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GIMBEL BROTHERS

Current Price	26 5/8
Current Dividend	\$1.60
Current Yield	6.1%
Funded Debt	\$54,912,307
\$4.50 Cum. Pfd. Stk.	107,137 shs.
Common Stock	1,954,600 shs.
Sales - 1957-E	\$375,000,000
Sales - 1956	\$350,897,920
Earn. Per Sh. 1957-E	\$4.00
Earn. Per Sh. 1956	\$3.60
Mkt. Range 1957-56	28 3/4 - 23 1/8

This letter has recently pointed out some of the favorable characteristics of retail store stocks in the current market. We have pointed out that consumer disposable income is expected to rise to around \$295 billion in 1957, a 3% gain over the 1956 figure. We have also pointed out that, so far in 1957, retail sales are holding at around 5% above the 1956 figure and current prospects point to the largest Christmas sales in history taking place this winter. On this basis, favorable earnings comparisons for many department store chains are virtually assured.

Note: Sales and earnings figures are for fiscal year ending the following Jan. 31st.

Added to this favorable outlook is the fact that due to lack of growth in earnings in recent years, department store stocks have advanced very little from their 1953 lows and are currently available at extremely generous prices in relation to earnings and dividends. Indeed, for the nine stocks in the S & P Department Store Index, the average yield was 6.4% and the average P/E ratio 9.3. This lack of growth, however, has been due to heavy start-up expenses in connection with new branches, a factor which is expected to become less important as time goes on.

One of the most attractive stocks in the retail trade group appears to be GIMBEL BROTHERS, which is now statistically even cheaper than the average stock in this depressed group. The reason for the relatively low price to earnings ratio accorded GI is ostensibly the erratic earnings record shown by the company heretofore, plus the heavy proportion of debt in the company's capital structure. It can be argued that GI's recent aggressive program of expansion into the suburbs now makes it far less subject to cyclical fluctuations. In addition, although debt is heavy, Gimbel has not followed the usual industry practice of selling its land and buildings to a real estate subsidiary. Thus, on a consolidated basis, Gimbel's capital structure is probably fully as conservative as that of the average department store company. The company's growth record can hardly be slighted. Since 1951, it has shown a steady growth in earnings from \$1.59 per share to \$3.60 per share in 1956. It has furthermore improved margins substantially during this period as more high profit suburban outlets came into operation. 1957 sales are expected to set a new high at around \$375 million and per share earnings should reach the \$4 range. Currently priced at only 6 1/2 times anticipated 1957 earnings, with a further improvement expected for 1958, Gimbel appears to combine substantial price appreciation prospects with generous yield and defensive value. The current \$1.60 dividend provides a 6.1% yield and this dividend could well be increased as earnings continue to improve.

From a technical point of view, the stock has a long term upside objective of 45, with support just under current levels. It is recommended for purchase in both income

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