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TABELL'S MARKET LETTER

November 20, 1964

Since the beginning of the year the market, as measured by the Dow-Jones Industrial Average, has moved slowly higher. The percentage advance so far has been 17%, a relatively modest rise as compared to past bull markets. The upward movement has consisted of a series of advances averaging 3% or 4% followed by a narrow trading shelf and an ultimate upside breakout into new high territory. The latest sidewise movement was relatively lengthy and lasted from mid-September until the upside breakout on Monday. At Wednesday's intra-day high of 897.00, the average had advanced some 23 points from last week's closing level of 874.11. At Friday's close of 890.72, the industrials showed a 16.61 point gain for the week. The advance was featured by duPont, Sears Roebuck and Eastman Kodak which, because of their high price, exert a powerful influence on the DJ Average, and by heavy volume in a rather weird conglomeration of low-priced issues selling under \$5 a share.

From a technical viewpoint, the two-month base around the 870 level suggests a rise to 898 followed by another consolidating period before the next move of importance. Somewhere along the line, one of these consolidating periods in the averages will turn out to be the start of a distributional top of intermediate term significance. There is, however, no indication of such a development at the moment. Since the Kennedy assassination low, each new high in the average has been confirmed by a new high in our breadth index and this action was repeated during the past week. Furthermore, the industrial average has held above its 200-day moving price average on every decline since early 1963, thus indicating no loss of momentum. The average price of the Dow-Jones Industrial Average for the past 200 trading days now is at 835. The only technical indicator that has given a warning signal of a loss of momentum is the 25-week moving average of volume which reached a high in May and has been moving downward since that time.

In the meantime, regardless of the action of the averages, individual issues have been going their own merry way, both up and down. In the later stages of a general advance, some stocks that have lagged behind the market often break out of accumulation patterns on the upside for worthwhile moves. Several of the recent additions to our recommended list we believe fall into this category. We are adding another issue of this type to our recommended list for capital appreciation.

It is LYKES BROS. STEAMSHIP CO. (23 3/4) While the shipping industry has been suffering from world-wide excess capacity, this company shows indications of turning the corner as far as earnings improvement is concerned. The company has no funded debt. There are 3.8 million shares outstanding with over 50% held by directors of the company and the Lykes family. Financial position is very strong. The stock has a book value of \$57 a share of which over 50% is relatively liquid. This has enabled the company to undertake an extensive replacement and modernization program. Over \$119 million has been expended over the past three years in highly mechanized vessels that should result in increased future profitability. This replacement program will continue into the 1966-1969 period. Lykes Bros. is one of the largest domestic subsidized shipping lines. It operates 52 vessels carrying freight, mail and passengers in regular service between U. S. ports on the Gulf of Mexico to Europe, the Far East and to Africa. The prospective long-range expansion of U. S. foreign trade indicates an improving outlook for shipping companies and Lykes Bros. should participate in the rising earnings trend in the industry. Furthermore, with its strong financial condition, Lykes is in a position to diversify into other fields. It already has an interest in a newly organized insurance company in New Orleans through its Lykes Enterprises subsidiary. Lykes has received approval from the Federal Maritime Commission to increase future investments in Lykes Enterprises from \$2 million to \$10 million, so further diversification is probable.

The stock is selling at less than ten times the estimated earnings of \$2.50 for 1964. The present modest 80¢ annual dividend could easily be increased to \$1.00, or a stock dividend program could be started.

The stock was listed on the New York Stock Exchange in 1958 and reached a high of 34 7/8 in 1959 and a low of 14 in 1962. It has recently moved above its 1963 high of 23 and, from a technical viewpoint, the broad potential base indicates considerably higher levels over the longer term.

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Dow-Jones Ind. 890.72
Dow-Jones Rails 218.47