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TABELL'S MARKET LETTER

January 29, 1965

It is difficult to say whether or not the market attached any significance to the breaking of the so-called "900 barrier" this week. Actually, on an intra-day basis, the Dow-Jones Industrial Average exceeded 900 ten days ago. On Wednesday of this week, 900 was exceeded at various times during the day, but the final close was below this figure. Once the average had actually closed above 900 on Thursday, however, Friday's rally to an intra-day high of 907.79 took place on good volume.

The averages have reached the upper part of the 884-910 range, which this letter has continuously suggested was the upside potential of the move. We are again in the situation, not an uncommon one over the past year, where a new pattern will have to form in order to determine the extent and direction of the next move. It is, therefore, impossible at this point to offer a short term projection. Our feeling for the intermediate term is best expressed by quoting from this letter as of January 8th, 1965. At that time we said - "The potential base pattern. . . . suggests a technical upside potential of 884-910. . . . Barring unexpected unfavorable news developments, the Industrial Average could reach new high territory by a relatively small amount, but we would not expect the move to be the start of a broad advance. For intermediate term investors we would continue the policy of building up a 25% cash reserve on strength."

The latest edition of our recommended list is in the hands of your Walston Account Executive. Cenco Instruments (29 3/4), reviewed below, has been added to the Capital Appreciation list and Spartans Industries to the Speculative Low Priced list. It will be reviewed shortly. U. S. Plywood, which at its recent high had almost reached its 50 upside potential, has been dropped.

A recent magazine article by the eminent Peter F. Drucker, made the statement that "education has been our chief 'growth industry' in the past twenty years". An even greater expansion is foreseen over the next decade. Many opinion-makers have voiced similar thoughts, and this concern has spilled over into the stock market where stocks of companies serving the educational field have recently been market leaders.

One of the most attractive such companies, in our opinion, is Cenco Instrument Corporation, some 60% of whose sales stem from the sale of scientific teaching aids, laboratory instruments and scientific equipment for educational use. Cenco sells over 15,000 items, manufacturing some relatively sophisticated items and acting as distributor for such things as glassware and chemicals. It is the major factor in this area and has only one important competitor. A special sales force with excellent contacts in the education field seems to assure its market position.

Nor is education the only growth area in which Cenco participates. It is an important producer of scientific instrumentation, high vacuum pumps and engineering apparatus. Recently the company has moved into the burgeoning hospital supply field. This last has in recent years been somewhat less profitable than the company's other activities, but recent developments indicate that this problem may be solved.

Cenco, selling for 24 times estimated 1964-65 earnings (the fiscal year ends April 30th) of \$1.20, is not cheap, but also the company's excellent growth potential as well as its growth record is unusual. Both sales and earnings have increased in every year over the past ten. Estimated 1964-65 results will compare with prior years' earnings of \$1.01 and sales should increase to \$50 million vs. under \$45 million in the previous period. Such growth is usually not bought cheaply.

Cenco's 30¢ dividend annually provides a relatively small yield, but it is interesting to note that the payout has been increased eight times in the past ten years. From a technical point of view, the stock has an upside objective of 39-42, and it is suggested to investors interested primarily in capital growth.

Dow-Jones Ind. 902.86
Dow-Jones Rails 212.78

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