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TABELL'S MARKET LETTER

April 22, 1966

The rally from the March 16th low of 905.40 in the Dow-Jones Industrials resumed this week. Monday and Tuesday had seen the Dow index sell moderately lower on reduced volume with Tuesday's intra-day low of 934.02 providing the second test of the support area in the middle 930's. From this support, a sharp rally ensued on Wednesday and Thursday, bringing the index to an intra-week high of 961.91.

As is the case in an advance of this nature, it is possible by reading the base formation in different ways and on different charts to arrive at alternative upside objectives. The most pessimistic reading of the February-March base would call for a target somewhere in the 970's, and a halt to the advance just under the overhead supply at 980-995 which was formed at the January-February top. It appears likely that, as the index reaches this level, a number of attempts at penetration will have to be made before a move through the overhead supply into new high territory can be expected. A more optimistic reading of the base pattern indicates the possibility that a modest new high might be achieved. In any case, a move to the supply area and a further test seems the most likely possibility.

The pattern of the Dow-Jones Rail Average appears to be quite different. As we have previously pointed out, the carriers, at their February peak of 274.33, had reached their most optimistic long-term upside objective. The subsequent top formed was small, indicating no more than the low of 239.92 reached in March and, likewise, the base formed at that level indicated no more than the high already reached this week. Probable action for the rails is the formation of a new pattern in the broad 270-240 area with individual issues showing diverse patterns. Utilities continue their slide and, at the week's low of 138.30 were not too far off the 137.15 low reached in early March.

With the market climate relatively favorable, at least for the time being, the main investment consideration becomes the selection of individual stocks. To this end, our recommended list has been sharply revised of late. Five stocks reached buying levels suggested and were added to the list during the week ending March 25th when the market made its low at 905. Ex-Cell-O reached its suggested buying level of 55 this week and was, therefore, added. We are also adding Air Reduction and Olin Mathieson to our Capital Appreciation list and Parke Davis to our High Grade list, effective with the close today. The remaining stocks then suggested have moved away from suggested buying levels, and the original recommendations are herewith cancelled. Revised Recommended Lists will be available from your Walston Account Executive next week.

During the week of March 25th, two stocks were added to our Speculative Capital Appreciation list. They were Budd Company (19 3/8), added at 18, and Chris-Craft (27 1/2) added at 23. Unlike a great many of the lower priced speculative issues apparently in favor today, both stocks have a reasonably good recent level of earnings and are statistically quite cheap in relation to those earnings. Budd, whose per share results reached \$1.96, a six-year record is priced at ten times 1965 results, and Chris-Craft which recently reported \$2.07 for the year ended December 31, 1965, is priced at thirteen times those results. For the first quarter of 1966, Budd reported earnings of 54¢ vs. 49¢ in the comparable 1965 quarter despite a lower level of sales. Chris-Craft, with the benefit of improved margins, is expected to show improvement in its 1966 results.

The great bulk of Budd's business is the production of auto body components with sales at record levels. However, we feel the speculative appeal of the stock lies in the company's railway equipment business. The company is a leader in the production of passenger cars used by the railroads and mass transit industry. The production of rapid transit passenger cars could be one of the great growth areas of the late 1960's. Budd has historically been a pioneer in new concepts for mass transit cars. It is currently working on four experimental high-speed cars for the Commerce Department's Northeast Corridor project and is working on the development of experimental turbine cars shortly to be tested on the Long Island Railroad. Budd's leadership in this field could begin to pay off in future earnings and, despite dependence on auto production levels, the railway division will be an increasingly important contributor to earnings.

Chris-Craft now derives some two-thirds of its revenues from pleasure boats and marine engines, some 15% from automotive supply and 13% from television station operations. The pleasure boat business shows some signs of again coming to life after some years in the doldrums, and Chris-Craft's 1966 backlog is considerably above that of a year ago. The company is the owner of television stations in Portland, Los Angeles and Minneapolis and revenues should be boosted by increased advertising rates. The stock, in our opinion, represents an attractive speculation on the boating industry and, to a lesser degree, the growth of television.

ANTHONY W. TABELL
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Dow-Jones Ind. 949.83

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