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TABELL'S MARKET LETTER

September 22, 1967

RADIO CORPORATION OF AMERICA (58 1/2)

The inventory problem that plagued the color-TV manufacturers the first part of this year appears well on its way toward being solved, much to the relief of the industry which had witnessed a sharp drop in June quarter earnings. The anticipation now is for a slight improvement in the September quarter, and a good rebound in revenues and earnings during the final three months of the year. The stock market already seems to be taking advantage of this improvement and well-situated companies within the industry are under accumulation. Among these, Radio Corporation of America, seems to have attractive potential.

RCA is the nation's largest maker of TV and radio receivers, records, hi-fi, and other consumer electronic equipment. It continues to dominate the color-TV segment of the industry, the area believed to offer the greatest earnings potential to set makers. Although competition rapidly is increasing in this area, RCA's recent introduction of smaller models, including portables, should help sustain its lead in the immediate future.

The company's National Broadcasting Company division, the leading color telecaster, is benefiting from increased advertising charges and greater demand for color-TV spot advertising, which brings in higher revenues. Earnings this year, currently estimated at \$2.35 a share, the seventh consecutive year of increase - up from \$2.18 last year - also reflect increased government demand for electronic components. Additional earnings gains and an increase in the 80¢ annual dividend rate seem likely for the 1968 year.

Technically speaking, RCA's chart pattern shows that a breakout occurred at 56, bringing into effect our price objectives at 76 and 98. There is good downside support in the 55-50 area, limiting downside risk. The stock appears to have been moving into strong hands in recent weeks. Recently added to the High Quality section of our Recommended List, RCA again is suggested for purchase at current prices.

REPUBLIC STEEL CORPORATION (48 3/4)

While the Ford Motor strike has put a damper on steel issues, there is no disputing the fact that this group is undervalued relative to earnings and dividends. A resumption of Ford's auto production and a continuation of the upturn in construction would result in an acceleration of steel production, increased consumption and a widening in profit margins. Recent price increases also add to the attraction of this group.

Republic Steel, third largest producer, appears to be most favorably situated among the major steel companies to benefit from the anticipated upturn in production, not only in the period directly ahead, but looking several years into the future as well. The large-scale capital improvement program that was completed in 1966 has enabled the company to substantially enlarge its profit-making potential. The advanced steelmaking techniques adopted have enabled Republic to reduce steelmaking costs to the point where today it is considered to be the most profitable of the Big Three.

For the current 1967 year, earnings are estimated at \$4.35 a share, down from 1966's \$5.93 a share, in reflection of lower industry-wide production. With additional new equipment coming on stream next year, 1968 earnings should show substantial gains over 1967 results, suggesting the strong possibility of another dividend increase. The current \$2.50 dividend affords a yield of 5.1%.

From the technical view, Republic has a price objective at 70, followed by one at 106. There is considerable downside support in the mid-40 region, limiting risk. Recently added to the Price Appreciation section of the Recommended List, Republic Steel again is recommended for purchase at current market levels.

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GENCO INSTRUMENTS (52 5/8), originally recommended January 29, 1965 at 29 3/4, has reached its technical upside objective, and we are herewith removing it from the Price Appreciation section of our Recommended List.

Dow-Jones Ind. - 934.35

Dow-Jones Rails - 262.37

HARRY W. LAUBSCHER for ANTHONY W. TABELL

WALSTON & CO. INC.

AWT:HWL:amb

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