

# Walston & Co. Inc.

MUNICIPAL BONDS • UNDERWRITERS • MUTUAL FUNDS  
Members New York Stock Exchange  
and Other Principal Stock and Commodity Exchanges  
OFFICES COAST TO COAST AND OVERSEAS

## TABELL'S MARKET LETTER

December 15, 1967

Recent action has failed to impose any great degree of clarity on the stock market situation. Since the Dow reached a high at 901.76 a week ago, at which time our short-range oscillator touched over-bought territory, we have seen a 3-day decline followed by a mild advance, and the oscillator has moved back into a neutral area. So far the correction has been mild with breadth reasonably good and a number of issues moving to new highs. Ability to complete the corrective phase while holding at or around the 860 support level on the Dow would have to be construed as a bullish signal. Meanwhile, the investor can best protect himself against market uncertainties by holding those stocks with a high degree of quality and defensive value together with an above average appreciation potential. One such issue is reviewed below.

### FEDERATED DEPARTMENT STORES

Current Price	75-1/4
Current Dividend	\$1.70
Current Yield	2.3%
Long-Term Debt	\$70,672,292
Common Stock	20,810,735 shs.
Sales-1968-E	\$1.5 billion
Sales-1967	\$1.4 billion
Earn. Per Sh. 1968-E	\$3.65
Earn. Per Sh. 1967	\$3.54
Mkt. Range -1967-66	75-7/8 - 54-1/8

If the shoppers crowding into the nation's department stores this Christmas season are any indication, retail sales this year should rise to a new all-time peak. Despite the much-talked-of scarcity of money, there seems to be more than enough changing hands over the counters. True, much of this Christmastime's gift buying is being conducted via the charge account, but, by and large, John Q. Public appears willing to spend his higher income, and much of that spending is being done on soft goods and other department store items. Benefiting from this trend to soft goods away from big-ticket items, the leading department store chains are anticipating a favorable final quarter. We feel that

Federated Department Stores is an attractive method of participating in this growth-oriented industry.

Federated is the nation's largest department store chain, including within its organization such well-known retail units as Abraham & Straus and Bloomingdale's in New York City, Bullock's in Los Angeles, Filene's in Boston, and Foley's in Houston. All of the above-named units are located in geographical areas that have demonstrated an above-average rate of personal income growth in recent years. Most of them also have benefited from the trend over the last decade to branch out into the suburbs where the rate of return on invested capital has been more favorable than that of most downtown locations. The most outstanding exception to this is Abraham & Straus's main Brooklyn store, considered to be the most profitable large department store in the nation.

Federated has grown largely through acquisitions. With existing floor space up to a favorable level, the number of new-store openings is expected to decline next year, but the new year is likely to bring with it an initial foray into discounting. This move could improve profits substantially in the years immediately ahead.

So far this year, Federated has been able to buck the downtrend in earnings experienced by the majority of department store chains with its own earnings through the first nine months ahead of a year ago. For the full fiscal year ending January 31, 1968, earnings are expected to show a good improvement over the \$3.54 a share of fiscal-1967, perhaps rising to \$3.65 a share. With new store openings decreasing in number, there is a possibility that the increased earnings could bring about a rise in the current \$1.70 annual dividend payout rate.

Technically, Federated shares have built a base of considerable support in the mid-sixties area, suggesting an initial price objective of 90, followed by a higher objective at 124. With these high quality shares offering this substantial appreciation potential, they were added to the Quality & Long Term Growth section of our Recommended List at 69-7/8 on November 17, 1967. They again are recommended for purchase at current market levels.

Dow-Jones Ind. 880.61 HARRY W. LAUBSCHER for ANTHONY W. TABELL  
Dow-Jones Rails 234.35 WALSTON & CO., INC.

AWT:HWL:sb

This market letter is published for your convenience and information and is not an offer to sell or a solicitation to buy any securities discussed. The information was obtained from sources we believe to be reliable, but we do not guarantee its accuracy. Walston & Co., Inc. and its officers, directors or employees may have an interest in or purchase and sell the securities referred to herein.