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TABELL'S MARKET LETTER

January 12, 1968

We have continuously suggested over the past three months that the major question mark on the general market in early 1968 would be whether or not the technical damage caused by the October 1967 decline could be reversed. It will be too early to tell much before Spring whether this is definitely the case, but it must be noted that an impressive start has been made. Breadth and volume statistics since the first of the year have been excellent, and despite the fact that the Dow-Jones Industrials were almost unchanged on the week, advances outnumbered declines every day -- usually by a considerable margin. Volume figures have been good, and the 10-day Total of Upside Volume reached a level even higher than its peak of January, 1967 -- the highest previous level in the entire bull market. Despite the inaction in the Dow, a shift in leadership in the direction of higher quality issues has been obvious during the past couple of weeks, and we think that this change will probably continue. One attractive issue in the Quality category is reviewed below.

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GOODYEAR TIRE & RUBBER COMPANY

Current Price	53
Current Dividend	\$1.35
Current Yield	2.6%
Long-Term Debt	\$349,800,000
Common Stock	35,903,517 shs.
Sales-1967-E	\$2,600,000,000
Sales-1966	\$2,475,000,000
Earn. Per Sh. 1967-E	\$3.40
Earn. Per Sh. 1966	\$3.31
Mkt. Range 1967-68	56 - 39 3/4

Whether or not the American public takes favorably enough to the new model cars to make 1968 a record new car year, one thing is almost certain at this time. That is, that the nation's multi-billion dollar rubber industry will record a new peak in sales and in many cases, in earnings as well. Growth of the rubber industry in 1968 is estimated at 10% above that of 1967, exceeding that of the U. S. economy as a whole. Total sales of rubber products of all kinds are being projected to around the \$8.5 billion level.

Spurred by the necessity to rebuild depleted inventories caused by lengthy strikes in 1967, production of tires is likely to rise some 20% over 1967 results while shipments will exceed last year by about 8%. Thus, for the first time in the history of the industry, both production and shipments will exceed 200-million units.

Fully expecting to share in this anticipated growth, Goodyear Tire & Rubber Company, the world's largest rubber fabricator, continues to expand production facilities and at the same time endeavors to build a more advantageous tire product mix. Higher average selling prices and a desire by safety-conscious motorists to upgrade their tire purchases and buy on a quality basis rather than on a price level basis should help offset increased wage costs. In addition, revolutionary improvements in tire design and durability should increase replacement demand.

Goodyear, the largest factor in the replacement tire business, has developed a passenger car tire combining the outstanding characteristics of a conventional bias-ply tire, the increasingly popular "wide footprint" tire and the radial-ply tire developed in Europe. The new tire will be available in considerable volume in the replacement market early this year. In addition, it will be offered as an option on some 1968 cars.

The Ford strike had little adverse effect on Goodyear since the Number 2 car maker buys most of its tires from Firestone. Goodyear's principal customer is Chrysler. If Chrysler has an exceptionally good 1968 model year, it will augment the already favorable outlook for the replacement market. Goodyear operated throughout most of the 1967 strike, but earnings were limited by payments made to the struck companies under a financial assistance agreement. Despite this, however, first-half earnings still managed to edge ahead of a year earlier due in large part to the increased volume. Earnings for the full 1967 year are estimated to have risen to a new peak around \$3.40 a share. For 1968, we are projecting another rise to the \$3.60 level. Overall sales volume, 60% of which derives from tires, is estimated to approximate \$2.7 billion, vs. \$2.6 billion last year. This suggests a forthcoming increase in the conservative \$1.35 annual dividend currently being paid.

From the technical view, Goodyear has built a considerable base in the 44-37 area, suggesting a long-term price objective of 82-plus. There is initial support at 50 with major support at 46-43. Now on the Quality & Long-Term Growth section of our Recommended List, Goodyear again is recommended for purchase by investment accounts.

Dow-Jones Ind. 898.98
Dow-Jones Rails 237.06

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WALSTON & CO. INC.

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