

# Walston & Co. Inc.

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## TABELL'S MARKET LETTER

July 3, 1968

Wall Street folklore has it that markets prior to long week-ends are generally dull affairs, but Wednesday's session, preceding a four-day hiatus, gave lie to the myth. The Dow-Jones Industrial Average chalked up a 6.67 point advance; 991 stocks advanced vs. only 332 declines; and volume was 14,390,000 shares, a decided gain over recent trading sessions.

All this took place at a time when most short-term indicators, after twelve listless trading days, had retreated to oversold territory, lending credence to the belief that a new short-term upswing may have begun. If this is the case, a tentative upside objective for the Dow might be 940-950. The following three issues, one from each three sections of our Recommended List, appear particularly attractive at the present time.

**INTERNATIONAL PAPER (34 5/8)** - The move on the part of professional investors of managed funds from highly speculative, glamor-type stocks toward relatively undervalued, dividend paying blue chip type stocks has been a factor in the recent market performance of IP, one of the issues in the Long-Term Growth section of our Recommended List. The world's largest manufacturer of paper products, International is expected to report a rebound in earnings this year, perhaps to around the \$2.20 to \$2.25 a share level, up from the depressed \$2.03 of 1967. This improvement, plus the announced intention that the company actively is seeking acquisitions and has been acquiring its own shares for use in facilitating such moves, has improved the market prospects considerably and focused investor attention on this long-ignored issue. Natural-resources stocks in general command above-average interest at present due to continuing fears of world-wide monetary imbalance and International Paper, as an owner of more than seven million acres of woodlands and the holder of cutting rights to an additional 15 million acres, provides the underlying asset value that would afford considerable protection during adverse monetary climates.

Technically, IP has been forming a base of considerable extent since the low was reached in 1966. The accumulation phase has been accompanied by a markup in prices, but our price objective, initially in the mid-40's followed by a higher goal near 90, suggests that the stock continues to merit consideration for purchase at prevailing market levels.

**AMERICAN BAKERIES (33 1/2)** "Whatever happens, people still have to eat!" This thought has been an important factor in the favorable showing that food stocks have enjoyed in recent months. Although many stocks have risen sharply, current price levels suggest that there remains considerable upside potential. One of the more attractive in this area is American Bakeries, an issue in the Price Appreciation section of the Recommended List. ABA has completed its huge modernization program and profit margins already have started to reflect the operating efficiencies. For the current year, earnings are estimated to rise to between \$2.20 and \$2.30 a share, from \$1.80 last year. With the current dividend affording a return well below the 6% average of the last 15 years, some increase in the present \$1.00 annual rate is anticipated, especially now that requirements for modernization will be lessened.

From the technical view, a chart breakout took place at 30, indicating an initial price objective at 40, followed by a higher objective at 62. There is considerable support at 28, limiting potential risk. We recommend purchase of ABA at the market.

**VICTOREEN (18 5/8)** - The impressive uptrend in sales and earnings that started back in 1965 is expected to continue throughout 1968 and 1969. Compared with 78¢ a share on revenues of \$45 million in 1967, results this year could see earnings rise to near \$1.00 a share while sales could approximate \$60 million. The reason for this favorable trend has been Victoreen's vigorous acquisition program of recent years. Accompanying this diversification has been a broadening of existing product lines. One of VIC's new products controls the release of X-rays from color TV sets. Now in field-testing, this one item could prove to be an important contributor to earnings if adopted by a leading TV manufacturer. With acquisitions still being sought, new products being introduced and operating efficiency being upgraded, these shares appear to offer attractive capital gains potential for speculative-minded accounts.

The technical position shows a pattern of accumulation going back two years. There is only light overhead supply between current levels and our initial price objective around 22. There is a higher price goal in the mid-30's and downside support at 16.

Dow-Jones Ind. 903.51  
Dow-Jones Rails 266.88

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