

Walston & Co. Inc

Members New York Stock Exchange
and Other Principal Stock and Commodity Exchanges
OVER 100 OFFICES COAST TO COAST AND OVERSEAS

TABELL'S MARKET LETTER

April 11, 1969

While it would be an overstatement to describe the stock market's performance of the last couple of weeks as impressive, an objective observer would have to term it at least mildly encouraging. If the patient can survive a bit longer without a serious relapse, it may well be possible to say that recovery is assured.

Actually, the market's behavior since the February low has been fairly typical. The move to an intra-day peak of 942.23 on the Dow at the end of March was about the best that could be expected considering the small base that had been built. The decline engendered by the increase in reserve requirements carried back to the 920 support level, and the recovery to an intra-day peak of 941.28 on Thursday has erased the entire loss. In the process, the downtrend in effect since December has been fairly decisively violated.

The longer the market can remain firm, the stronger position we will be in. Thirty-one trading days have now passed since the February low, which is close to the limit of the permissible time period for a short-term rally in the context of a larger downtrend. (Since 1962 no such rally has lasted more than 36 days) Continued ability to move to new highs would thus have to be considered constructive.

Meanwhile, we reiterate our thesis that proper policy consists of restricting investment to stocks of stability and quality. Not only will such investments provide downside protection, but in the present market phase they are likely to be the leaders if a move toward the old highs gets under way shortly. One such company is reviewed below.

JEWEL COMPANIES (47 1/2). . . All that glitters may not be gold, but there would seem to be a good deal of golden potential in the glitter that surrounds Jewel Companies. Investors should find much to suit their particular interests in this A-quality stock, both from the capital appreciation and long-term-growth-in-dividend-income aspects.

In recent years, Jewel has demonstrated a degree of aggressiveness not common in the grocery chain industry. The result of this expansion shows dramatically in the fact that sales have more than doubled since 1962 and now are approaching the \$1.5 billion mark. Better than 75% of Jewel's business derives from operations of its 370-unit supermarket chain. The rest comes from 133 drug stores and/or drug departments, 76 bakery-ice cream shops, more than 2,000 home service food and general merchandise routes, 9 self-service department stores and overseas interests. Additional expansion is slated for the current fiscal year with 26 supermarkets, 22 drug stores, 35 convenience stores and between 15 and 20 other type shops planned to be opened. One of the very few grocery chains to go international, Jewel today holds a 17% interest in a Belgian supermarket and department store chain, 19% in a chain of Belgian discount stores and 49% in an Italian supermarket chain. The first dividend was received from overseas interests this past year.

All this recent activity has been reflected in earnings. For the fiscal year ended January 31, 1969, net rose to a record \$3.01 a share, from \$2.64 the previous year. In the current year, industry sources expect earnings to approximate \$3.35 a share. In view of the improving earnings, cash dividends were raised last September to a \$1.40 a share annual rate. This now affords a return approximating 3%, somewhat less than the average return for the last fifteen years. In view of increasing cash dividends from overseas interests and rising earnings, further improvement in the dividend payout rate during the current year would not be unexpected.

Technically, the base built over the last six years suggests an initial price objective near 68, followed by a higher goal readable at 80. Good support exists in the 45-42 area. Added to the Quality and Long-Term Growth section of our Recommended List this past January, Jewel Companies again is suggested for purchase.

ANTHONY W. TABELL
WALSTON & CO. INC.

Dow-Jones Ind. 933.46
Dow-Jones Rails 239.48

AWT:amb

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.