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TABELL'S MARKET LETTER

September 12, 1969

The Dow-Jones Industrial Average made its fourth assault at the 840 level this week and, for the fourth time, was set back. After making an intra-day low of 804.45 on Tuesday, a sharp rally set in at mid-day followed by the 12-point Wednesday advance. After an intra-day high of 838.50 on Thursday, however, the market again turned down, followed by further weakness on Friday in response to resumption of B-52 raids in Vietnam.

All of these short-term swings are, of course, consistent with our theory that the market is undergoing a process of base formation which will continue for some time. During such a period a great many attractive stocks become available for purchase on weakness. A few of the issues on our Recommended List, which we would regard as attractive for new buying on market dips, are reviewed below.

CLARK EQUIPMENT (31) turned in an excellent earnings performance in the first half of 1969 with six months net reaching \$1.53 a share vs. \$1.00 in the comparable 1968 period. For the year we would expect earnings to rise to \$3.00 vs. \$2.45, and, although reduced capital goods spending next year may prove a mild depressant, we would expect further improved results in 1970. The stock is currently available at an historically low multiple of ten times estimated 1969 earnings and has sold at 14 to 17 times current earnings at some time during every year in the past decade. The stock has a long-term objective of 61, and there is strong support in the 30-28 area.

DART INDUSTRIES, INC. (46), formerly Rexall Drug & Chemical, presents an interesting growth picture. The most exciting aspects of the company are the direct selling and consumer products groups, including Tupperware plastic cookware and cosmetics marketed door-to-door as well as West Bend products and home furnishings. These groups account for only 33% of sales, but 66% of profits. These areas, plus the glass container group, will become more important as agreement in principle has been reached to sell Dart's ethical drug division to Minnesota Mining. The sale of the franchise and retail drug operations has fallen through, but there is no reason not to believe that this operation will be disposed of at some time in the future. 1969 earnings are estimated at \$2.25-\$2.35 vs. \$1.91, and we would be a buyer of the stock on any move into the low 40's.

FIRST CHARTER FINANCIAL (47) is the outstanding technical performer in an outstanding group, the California Savings & Loan issues. The stock has maintained a consistent uptrend all through the 1969 market debacle, and continues to have a long-term objective of 80. It is the largest of the S&L holding companies, and owns the second largest association in the country. Earnings growth based on the strong underlying demand trend for homes in California is expected to continue, and yields on new mortgages should remain high. Savings flow, of course, remains a questionmark, but FCF is not dependent on out-of-State funds, having developed a strong local base. For 1969, earnings are expected to reach a record \$2.80-\$2.90 level vs. a depressed \$1.81 last year. We would be a buyer of the stock on dips to the low 40's.

PARKE-DAVIS (32) has, for a long time, been included in our Recommended List and during most of the period its market performance has been somewhat less than stellar. However, it has come into its own in the bear market of 1969, proving, by-and-large, resistant to the sharp drop in stock prices. During this process a substantial base has been formed indicating that it may soon reward the patience of its holders. Recent earnings declines in Parke-Davis have been due, of course, to the decline in profitability of no-longer-patent-protected Chloromycetin, and from a peak of \$2.20 in 1965, earnings dropped to a nadir of \$1.25 in 1968. 1969 results are expected to begin a recovery and could well approach \$1.40-\$1.45 area. Accompanying this could be a return to the growth multiples which were characteristic of the stock before the Chloromycetin difficulties began. We would be a buyer in investment accounts.

Dow-Jones Ind. 824.25
Dow-Jones Rails 198.45

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