FILE

Delafield, Harvey, Tabell

909 STATE ROAD, PRINCETON, NEW JERSEY 08540

DIVISION OF

Montgomery, Scott, & Co.

MEMBER NEW YORK STOCK EXCHANGE
MEMBER AMERICAN STOCK EXCHANGE

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With these words, we are, at the same time, starting a new venture and continuing an old tradition.

This is the first issue of TABELL'S MARKET LETTER to be published by the Delafield, Harvey, Tabell Division of Montgomery, Scott & Co. It represents, however, the continuation of a letter that has been published weekly since 1944. During this period, the letter has appeared under the imprint of three different firms and under the by-line of two authors, the current one and his late father, Edmund W. Tabell, who founded this publication 26 years ago, and who pioneered many of the analytical concepts still referred to herein.

We commence our new venture, we confess, with the usual feelings of trepidation which must accompany the launching of any enterprise. Despite this uncertainty, however, we are convinced that the economic and stock market environment for the 1970's should favor our endeavor. It is perhaps appropriate at this point to begin by sharing our thoughts on this environment with our readers.

We have come through a trying period over the past 18 months. Stock prices have plunged more precipitously than at any time since the 1930's. Meanwhile, the financial press informs us on a daily basis of the multitude of problems besetting the economy. We are all by now familiar with the list -- decreasing corporate liquidity, deterioration in the quality of profits, rising unemployment, the possibility of a monetary crisis and still-pernicious inflation. Nor are our problems confined to the financial sector. War in Vietnam and the Middle East, racial tensions and the alienation of large segments of society are hardly factors calculated to produce stock-market or any other kind of optimism.

It is, in other words, all too easy to be bearish. -- all too easy to recite the litany of problems that beset us and, trembling, to slink away from the stock market in order to lick the painful wounds of 1969-1970. Yet, to all of the problems, there is another side. Illiquidity, beyond a doubt, exists, as the recent wave of bankruptcies all too eloquently attests. But what of the companies with balance sheets strong enough to weather any foreseeable storm which the bear market has dragged down to record-low multiples of proven earning power? We can all recite the familiar instances of gimcrack accounting. Does this explain the present bargain prices of a host of issues whose books are impeccably conservative. Unemployment is rising to be sure --- but is still at low levels compared to the mid-sixties? And, as to the Scylla and Charibdis of monetary crisis and inflation, we do not think it incredibly naive to suggest that incumbent monetary authorities are aware of the problem and have at least some of the expertise and tools required to deal with it.

Thus it is hardly our intention to claim that our economic difficulties are not real. They exist -- all too tragically so. But, with most stocks having declined anywhere from 30% to 90% from fairly-recent highs, it is silly to pretend that the market is sailing along totally oblivious to surrounding deterioration. It is our basic thesis, in other words, that the current prices of many stocks provide unique and exciting investment opportunities. This is not to forecast a new bull market. We frankly do not see one immediately in the offing. It is simply to state the belief that intensive investment management can produce above-average results in the months and years ahead, and to suggest that, in this period, the equity market might be a pretty interesting place in which to be.

Our technical work, at the moment, supports this view. We have said in the past that we think the climactic nature of the May 26 low cannot be ignored, and that probabilities favor the contention that the stock market is now entering a new investment phase. The precise shape that this phase may take is as yet unclear and it will be our task in this letter to comment on it. It is our belief, however, that it will usher in an era propitious for Delafield, Harvey, Tabell and, much more importantly, our clients.

Dow-Jones Ind. (11:00 a.m.) 722.28
S&P 500 (11:00 a.m.) 77.07

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL

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