TABELL'S MARKET LETTER

Delafield, Harvey, Tabell

909 STATE ROAD, PRINCETON, NEW JERSEY 08540

DIVISION OF

Janney Montgomery Scott Inc.

MEMBER NEW YORK STOCK EXCHANGE, INC
MEMBER AMERICAN STOCK EXCHANGE

July 2, 1971

Our colleague, Anthony Tabell, had hardly disembarked in Europe on his well-earned vacation when the stock market began a recovery from its recent sharp decline, closing at 873.10 on June 28th. As indicated in last week's letter, at least a portion of the recent decline must be attributed to the Investment Company Institute figures showing that mutual funds were in net redemptions in May, for the first time in history. The market seemed to have run out of bad news last week and apparently was looking for an excuse for a technical rebound. This excuse was found in several areas. The North Vietnamese Paris proposal on the exchange of prisoners should have come as no surprise but, coming as it did on the heels of the Pentagon disclosures, it may have been interpreted as giving the Administration a chance to gracefully extricate itself from Southeast Asia. Along the same line, the Administration's expressed confidence in the continuing economic recovery, and its ability to control inflation eventually by a continuation of the present policies, and its refusal to consider wage and price guidelines at this time, contributed to the recovery.

From a business point of view, several other pieces of good news were forthcoming this past week. Machine tool orders in May were reported 27.3 percent above April, and although still below last year's rate, the trend is encouraging. Factory orders rose 1.1 percent in May for the biggest gain since February, and yesterday the Wellington Management Company reported that its mutual fund group registered net sales of $3.14 million last month, in contrast to net redemptions of $3.57 million in May. It is too early yet to forecast the summer rally, but we have been encouraged by the strengthening of the bond market and utility averages, and by the breadth of the market recovery thus far.

This letter of September 18, 1970 spoke of the coming summer, its heat waves and the demands on those responsible for energy needed for power, air conditioning, etc. We are now in the midst of this period and it prompts us to check upon the current progress of these industries. The utilities are still struggling for fuel, reserve capacity, money for expansion, rate increases and investor friends. We still believe the natural gas producers and distributors, especially those with strong reserve positions have a more favorable long-term outlook in this troubled group.

We mentioned Cabot Corporation and Joy Manufacturing among those companies that might stand to benefit from these long-term demands for energy. The former holds well in the market place with a favorable earnings trend and the continued promise for their plans to import liquified natural gas from Algeria. Joy Manufacturing reported earnings for the first quarter of 1971 at $.89 per share versus $.72 last year. The demand for fuels continues to favor the outlook of this producer of coal mining machinery.

The market trend in coming weeks, and particularly the source of market leadership will be carefully considered. Hopefully, the astute investor will be anticipating stronger business conditions for the second half and into 1972. We continue to direct the reader's attention to high-grade companies with strong balance sheets. It is now evident that the bull market shows signs of maturing, and we will be encouraged if high-grade stocks lead in this phase of the market. As this letter has stated in past weeks, the market should be more selective in coming months.

DJII (11:00) 889.38
SPIC (11:00) 99.59

Maturin L. Delafield and Ashton Harvey
For Anthony W. Tabell
Delafield, Harvey, Tabell