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

May 4th, 1973

The sharp market rebound of Thursday and early Friday constituted what is, so far, the most significant attempt at a reversal of the downtrend in effect since January. Although many of the signs of a classic one-day climax were present, additional evidence would be desirable before suggesting that the reversal was one of intermediate or major proportions.

As security analysts these days get to estimating earnings for 1973, at the same time examining the prices of the stocks whose earnings they are estimating, there is developing what could be called the "gee-whiz" school of financial analysis. For it is, by this time, no surprise to anyone that the combination of a market downswing and an excellent 1973 economic outlook have brought many price-earnings ratios to their lowest levels in years.

It is interesting, however, to put this phenonmenon into perspective. It will be recalled that the absolute historical nadir for price-earnings ratios in general was in 1949 when the "certainty" of a post-war depression caused wide-spread pessimism. The following table compares the P/E's of the thirty stocks in the Dow Jones Industrial Average with their P/E's for that long-ago year. The first three columns show the current price, 1973 estimated earnings and price-earnings ratio for each of the thirty stocks. The next three show the 1949 price-earnings ratio, the price at which the stock would sell were 1973 earnings to be capitalized at that ratio, and the percentage difference of this price from the current one.

Stock	Recent Price	Earnings 1973-E	1973 P/E	1949 P/E	1973 Earnings x 1949 P/E	PCT. Difference
Allied Chemical	34	2.70	12.6	11.2	30	-11
Alcoa	57	5.00	11.4	10.7	54	-5
American Brands	40	4.70	8.5	8.7	41	+3
American Can	32	3.25	9.8	9.6	31	-3
American Tel.& Tel.	53	4.65	11.4	14.8	69	+30
Anaconda	19	2.80	6.8	9.6	27	+42
Bethlehem Steel	30	3.75	8.0	2.9	11	-63
Chrysler	33	5.50	6.0	3.7	20	-39
du Pont	171	10.00	17.1	11.7	117	-32
Eastman Kodak	136	3.85	35.3	12.0	46	-66
Esmark	23	3.45	6.7	7.3	25	+9
Exxon	97	7.25	13.4	7.4	54	-44
General Electric	60	3.25	18.4	8.8	29	-51
General Foods	25	2.20	11.4	9.2	20	-20
General Motors	72	8.50	8.5	4.1	35	-51
Goodyear Tire	26	2.85	9.1	4.8	14	-46
International Harvester	29	3.90	7.4	6.0	23	-21
International Nickel	30	1.75	17.1	13.5	24	-20
International Paper	34	2.75	12.3	4.1	11	-68
Johns Manville	22	2.80	7.9	8.2	23	+5
Owens Illinois	34	4.25	8.0	11.1	47	+38
Procter & Gamble	102	3.70	27.5	16.2	60	-41
Sears	98	4.35	22.5	8.5	37	-62
Standard Oil of California	84	7.00	12.0	6.0	42	-50
Texaco	38	3.60	10.5	5.8	21	-45
Union Carbide	42	3.90	10.8	12.2	48	+14
United Aircraft	37	4.50	8.2	7.2	32	-13
U. S. Steel	33	3.60	9.2	4.4	16	-52
Westinghouse	34	2.45	13.8	5.7	14	-58
Woolworth	21	2.85	7.4	12.3	35	+66

Some of the results do, indeed, justify the "gee-whiz" reaction, notably the fact that no fewer than eight of the thirty components of the Dow are today available at lower multiples than was the case twenty-four years ago. As the table clearly shows, however, the vulnerability of a number of stocks could be great. That vulnerability, moreover, is not confined to stocks with relatively high multiples. One would expect to see Eastman Kodak and Sears vulnerable to P/E erosion. However, the table also shows us that many current multiples in the 8-12 range would indeed be subject to further decline if 1949 standards were to be applied.

None of this is meant to suggest that large numbers of stocks are likely to sell at 1949 levels--although the fact that eight are already doing so should give us pause. We do suggest, however, that a sense of historical perspective is useful prior to becoming overly excited about current multiples.

Dow-Jones Industrial (12:00 p.m.) 953.49
S&P (12:00 p.m.) 110.84
AWT:kd

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL