

TABELL'S MARKET LETTER

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"A while ago, when some wag dubbed growth stocks, which were still at their peak of institution popularity, "Vestal Virgins," we formulated a group of stocks of our own, which we named "Sexless Spinsters." These were, by and large, basic-industry, commodity-oriented companies, which had historically been viewed by the market as cyclical in nature and which generally were selling at P/E ratios of one-third to one-half those of the growth favorites. The following table shows the approximate prices of each group, 13 "virgins" and 11 "spinsters" at five points in recent market history, the January 1973 high, October 1973 high, December 1973 low, April-May low, and a recent price. The percentage change between points is also shown together with the average for each group and the Dow-Jones Industrial Average.

	Jan High	Oct High	% Change	Dec Low	% Change	Apr-Mar Low	% Change	Recent	% Change
DJIA	1067.20	997.59	- 6.5	783.56	-21.4	788.80	+ 0.6	853.25	+ 8.2
Avon Products	132	98	-25.7	58	-40.8	40	-31.0	52	+30.0
Burroughs	115	121	+ 5.2	92	-23.9	96	+ 4.3	110	+16.6
Coca-Cola	145	145	-	115	-20.6	98	-14.7	118	+20.4
Disney	115	82	-28.6	41	-50.0	41	-	49	+19.5
Eastman Kodak	145	135	- 6.9	108	-22.9	100	- 3.8	116	+16.0
IBM	360	280	-22.2	235	-16.0	210	-10.6	226	+ 7.6
Int'l Flavors/Fragrances	48	47	- 2.0	34	-27.6	32	- 5.8	37	+15.6
Johnson & Johnson	132	125	- 5.3	100	-20.0	105	+ 5.0	118	+12.4
McDonald's Corp	78	74	- 5.1	44	-40.5	50	+13.6	62	+24.0
Polaroid	130	125	- 3.8	65	-52.0	53	-18.4	42	-20.7
Procter & Gamble	120	106	-11.6	89	-16.0	85	- 4.5	105	+23.5
Sears, Roebuck & Co.	124	100	-19.3	78	-22.0	80	+ 2.5	89	+11.2
Xerox	156	150	- 3.8	115	-23.3	106	- 7.8	124	+16.9
Average			- 9.9		-28.8		- 5.5		+14.8
Alcan Aluminium Ltd	26	40	+53.8	36	-10.0	27	-25.0	29	+ 7.4
Allied Chemical	28	48	+71.4	43	-10.4	39	- 9.3	41	+ 5.1
Alcoa	40	54	+35.0	44	-18.5	43	- 2.2	43	-
Bethlehem Steel	30	36	+20.0	27	-25.0	29	+ 7.4	31	+ 6.8
Int'l Paper	42	57	+35.7	43	-24.5	42	- 2.4	48	+14.2
Kennecott Copper	26	38	+46.1	31	-18.4	31	-	36	+16.1
Monsanto	55	74	+34.5	43	-41.8	60	+39.5	68	+13.3
Phelps Dodge	44	50	+13.6	39	-22.0	35	-10.2	37	+ 5.7
U. S. Steel	34	37	+ 8.8	30	-18.9	40	+33.3	45	+12.5
Westvaco	28	40	+42.8	27	-32.5	27	-	27	-
Weyerhaeuser	28	41	+46.4	34	-17.0	40	+17.6	40	-
Average			+37.1		-21.7		+ 4.4		+ 7.4

The figures, we think, are interesting. While the Dow was posting a 6.5% decline in the first nine months of 1973, the cyclical issues advanced an average of 37%, versus a 9.9% decline for the growth issues. Although not invulnerable to the October-December decline, the cyclicals performed about the same as the Dow on the downside and considerably bettered the average 28.8% decline shown by the growth issues. This performance continued for the first four months of 1974 with the cyclicals showing a slight advance to the April-May low, whereas the growth issues as a group continued to move lower. It is only on the recent rally that a change has become apparent. On this advance, the growth issues have posted an average 14.8% advance, exactly twice the advance shown by the cyclicals, which, for the first time, have failed to outperform the Dow.

We think there are a number of conclusions to be drawn from the table, the most important of which is that the better performance of the growth stocks is a relatively new phenomenon, only six weeks old now, whereas, to date, at least, the "spinsters" have proved their staying power. Nine of the eleven cyclical issues, for example, are above where they were at their January, 1973 high despite the fact that the Dow is some 200 points lower. Every one of the growth issues remains today below that high and in some cases the difference approaches being staggering. In short, we think it is premature to conclude that the superior growth stock performance which characterized 1971 and 1972 and then disappeared abruptly in 1973, is about to burst out again in its old refulgence.

Dow-Jones Industrials (12:00 p.m.) 844.81
S & P Comp. (12:00 p.m.) 91.56
Cumulative Index (6/13/74) 535.06
AWT/jb

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