TABELL'S MARKET LETTER

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We have repeatedly discussed the difficulties involved in trying to discuss the current stock market in terms of the averages, which, as we have noted, have failed to reflect the price action of large numbers of individual stocks. We want to try this week, therefore, to take another tack and become more specific --- to see if we can learn anything about the equity-market climate from the recent price action of two individual issues. We have deliberately chosen two issues which possess practically no similarity other than that their names begin with the same letter of the alphabet, Bethlehem Steel and Burroughs Corporation.

The recent price action of the two issues is typically disparate. Bethlehem sold over 40 at the beginning of this year and as recently as last June was in the low 30's. It closed Thursday at 20 1/2. Burroughs, on the other hand, touched 54 1/2 as recently as April and sold this week over 70, all this at a time when the market averages were trending generally lower.

Both these moves, the strength in Burroughs and the weakness in Bethlehem, constitute reversals of recent form. Burroughs, which reached a peak of over 120 at the height of the growth-stock craze in 1973, declined to the low 60's in the 1973-74 bear market and then, after recovering to 110, moved below its 1974 low on its recent slide to the middle 50's. Bethlehem, by contrast, was essentially unaffected in the 1972-74 slide and, between the end of 1974 and early 1976 moved from below 24 to 48. In terms or price performance, then, we have one former market leader recently fallen on hard times and what was recently a subpar performer now acting considerably better.

As everyone is aware, the fundamentals for the two companies are as different as their comparative price action has been. Burroughs has enjoyed more than a decade of uninterrupted earnings growth of the sort that, a few years ago, made it the darling of those who believed in the one-decision school of investing. There has, in the recent past, been no deterioration of this fundamental picture. Earnings have continued to expand at a rapid rate, and both of the first two quarters of this year saw commendable gains versus the comparable 1976 period, with 12-month earnings moving to a new all-time high at $4.89 per share. Bethlehem, again by contrast, has fallen on recent and well-advertised hard times --- a deficit in the first quarter, a desultory second quarter and a recent slash in the dividend from $2 to $1 having been just a few of the recent unfavorable news items concerning the company.

What moral are we to draw from all this? The point, it seems to us, is that, if we are to postulate considerably lower prices for the market as a whole, we must be able to foresee further substantial weakness in both Burroughs and Bethlehem. Both these issues are reasonably representative of whole classes of securities which are fundamentally important to the marketplace. We must ask ourselves, therefore, what is the plausibility of this concurrent weakness occurring.

As far as Burroughs is concerned, the whole of the last five years has been, essentially, a markdown process from the ridiculous overvaluation of 1972-73, when at the craze of the growth-stock mania, supposedly rational investors were willing to pay over fifty times earnings for the stock. This markdown continued until just recently, when the stock, with no change in the fundamentals, was available as low as 13 times trailing-12-month earnings. It would seem a fair conclusion that at that level the reevaluation process might have been at least largely complete.

What about Bethlehem? If the near-term outlook is as questionable as it appears to be, is not further weakness a possibility? Here, we must recall, we have a stock whose price has already returned to around the level of its 1970 low. We have, furthermore, a company which, as recently as two years ago, managed to earn $8.70 in a single 12-month period and now sells for $20. It seems to us equally valid to question the downside possibilities in this instance.

If downside possibilities are limited, one must look at the converse. If Burroughs has completed the correction of its 1972-73 overvaluation and Bethlehem has been driven to a level where it is oversold on an intermediate-term basis, both stocks could enjoy a fairly decent recovery from these prices. Were the growth and cyclical universes, which these two issues typify, begin to move concurrently to the upside, the market results could be positive indeed.

Dow- Jones Industrials (12:00 p.m.)	849.45
S & P Composite (12:00 p.m.)	95.58
Cumulative Index (8/25/77)	660.11

AWT/jb

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Note: All comments above are based solely on technical factors and further information on individual issues is available on request.

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