

# TABELL'S MARKET LETTER

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MEMBER AMERICAN STOCK EXCHANGE

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Some three weeks ago, in this space, we made our own contribution to celebrating the Dow's reaching the 1000 level by reprinting the closing prices of each of the 30 components on six different dates which had in common the fact that the Dow had, on those dates, closed at a high above 1000. The dates were in the years 1968, 1973, and 1976, along with three more recent occasions. The purpose of the exercise was to show the diversity in price action among the individual Dow components over a long period of time.

The study, however, did nothing to illuminate the relative value of the Dow today versus the previous dates on which it had attained 1000. We have tried to suggest some conclusions in this direction by putting together the table below which shows the earnings and dividends for each of the 30 components for 1968 and for 1980, both being years in which the Dow closed at or close to the 1000 level. We have also shown, in the table, the percentage changes in the earnings, dividends, and the stock price, the last taken from the original study three weeks ago.

Company Name	EARNINGS		DIVIDENDS		% CHANGE		Stock Price
	1968	1980	1968	1980	Earnings	Dividends	
Allied Chemical Corp.	\$1.46	\$8.59	\$1.73	\$2.15	+488	+ 24	+ 52
Aluminum Company America	1.59	6.54	.60	1.60	+311	+167	+ 44
American Brands, Inc.	3.42	13.13	1.88	5.90	+284	+213	+106
American Can Co.	4.23	4.26	2.20	2.90	+ 1	+ 32	- 49
American Tel & Tel	3.74	8.19	2.40	5.00	+119	+108	- 6
Bethlehem Steel	3.65	2.77	1.60	1.00	- 24	-	+ 3
duPont	2.66	4.83	1.83	2.75	+ 81	+ 50	- 11
Eastman Kodak	2.33	7.15	1.09	3.05	+207	+180	+ 4
Exxon Corp.	2.97	13.01	1.83	5.40	+338	+195	+ 70
General Electric	1.96	6.65	1.30	2.90	+239	+123	+ 39
General Foods Corp.	2.08	5.15	1.20	2.15	+147	+ 79	- 22
General Motors	6.01	(2.65)	4.30	2.95	-	- 31	- 38
Goodyear Tire & Rubber	2.06	2.85	.71	1.30	+ 38	+ 83	- 38
Inco Ltd.	1.93	2.56	1.23	.69	+ 33	- 44	- 41
International Business Mach.	1.54	5.72	.52	3.44	+271	+561	- 2
International Harvester	2.69	(9.82)	1.80	2.50	-	+ 39	- 47
International Paper	2.28	5.97	1.39	2.40	+162	+ 73	+ 30
Johns Manville	2.39	2.47	1.10	1.92	+ 3	+ 75	- 40
Merck & Co.	1.30	5.54	.90	2.30	+326	+155	+ 92
Minnesota Mining & Mfg.	1.49	5.78	.73	2.80	+287	+283	+ 11
Owens Ill. Inc.	1.55	5.09	.68	1.40	+228	+106	- 25
Proctor & Gamble Co.	2.15	7.78	1.20	3.60	+262	+200	+ 54
Sears Roebuck & Co.	1.36	1.75	.65	1.34	+ 29	+106	- 48
Standard Oil of California	1.33	7.02	.63	1.80	+428	+186	+144
Texaco Inc.	3.07	8.31	1.45	2.45	+171	+ 69	- 13
Union Carbide Corp.	2.60	10.48	2.00	3.10	+303	+ 55	+ 21
United States Steel Corp.	3.13	5.25	1.60	1.60	+ 68	-	+ 13
United Technologies Corp.	2.55	7.28	.85	2.20	+186	+158	+ 55
Westinghouse Electric	1.74	4.71	.90	1.40	+170	+ 56	- 17
Woolworth Co.	1.29	3.60	1.00	1.45	+ 57	+ 45	- 24
AVERAGE					+173	+111	+ 10

Considering the fact that the Dow average itself is unchanged over the 12 years (The average price change, equally weighted, is +10%), the increases in earning power and dividend payout are quite astounding. 27 of the 30 stocks increased their earnings over the 12 years involved, and all but 2 increased their dividends. The average percentage increase in earnings was 173%, and the average rise in dividends 111%. These figures stand up well even when adjusted for inflation. The GNP deflator rose by 119% over the 12 years involved. Earnings bettered this increase by a considerable amount, and dividends about equalled it, even at 1980 rates, considerably lower than those estimated for 1981. 19 of the 30 stocks were able to show earnings increases better than the rate of inflation, and 12 posted dividend increases of more than that amount. The investor who followed the simple-minded course of buying the 30 current Dow stocks and holding them 12 years ago is now receiving approximately equal income after adjusting for inflation to that which he received at the time of purchase.

We think there are two conclusions to be drawn from this study. The first is that investors in equities over the past dozen years may, at current prices at least, have seen capital values eroded by inflation, but the income provided by dividend growth has been able to keep pace with rising prices. We think it reasonable to conclude, furthermore, that the Dow remains demonstrably a much cheaper investment vehicle today than it was at the same price a bit over a decade ago. For this reason, the Dow's recent stutter at the 1000 level, while it may, for reasons we have suggested, be easily justified technically, would appear to have relatively little justification in terms of fundamental value.

Dow-Jones Industrials (12:00 PM) 1001.89  
S & P Composite (12:00 PM) 135.00  
Cumulative Index (4/9/81) 1142.44  
AWT:sla

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