

Old "Investment Dope"

**FOUND
AS
SCANNED**

Housing
As cons.
inv. opp. --
just like
farm ownership
home ownership.

Even if inventories do not further increase, it is most unlikely they will decline soon, esp. with Xmas coming up. And Kiplinger is definite in stating that even housing will hold up well -- the boom will be cut by new controls, but will still be a big boom. Lots of inv. opp. there. And the pinch will not be felt until next year in housing, and by that time defense boom well under way. (note that an old idea I had and later rejected was sound: housing is basic, because people buy things to put in houses. I rejected it on grounds that if they could not buy furniture they would buy other things. But this is only partly true. Home furnishings etc are an inv. opp., raise mr, with all the effects that has.) If housing should slump too much, says K., controls will be relaxed (note how govt. now controls rate of inv., as Keynes wanted, thus to a degree controlling general level of ec. activity)

Kiplinger is very sure that consumer demand will be high -- and I suppose anticipated high coming war wages etc. will allow unlimited spending. At same time credit controls prevent mortgaging one's future as much, i.e. cut out this inv. opp. for investors.

Govt. has been going all-out in stopping non-defense investments. Bowling alleys, swimming pools, etc. This in itself will keep the stock mkt. up of course. But the reason the govt. is doing this is because of anticipated defense inv. boom. Is preparing for it. Many think it is over-preparing. If so, will send stocks up. But when I see how investment expansion plans are booming along, I think that effect must be greater.

Why has market been rising? When I bought in, I thought that inflation psychology had taken over, overweighing fact of increased inv. opp. Maybe it was just that hoarding had come to a halt, had had enough, people discovered there was plenty, stopped hoarding. Then, having bought, I decided not to think about stocks for 6 mo.s, and didn't have any explanation of why rising. But, as last June showed, mkt can rise some time against trend of increased inv. opp. And, since it has been doing so for some time, it is ripe for a crack up, just like last June-July. So SELL TOMORROW. But fast.

Nobody is predicting much on the election. It is an off election and will probably therefore go to the ~~the~~ Republicans more I'm thinking, for the usual reason of a slimmer labor interest in local elections. This will encourage stock mkt. But how will Republicans differ? Probly tax corps. less, consumers more, increase yields of stocks. So that is important.

But look how mkt fell in '46, despite Republican victory. Or because of it, for it increased inv. opp.?

Clincher now is, people are about to feel war shortages, realize how govt. is going to take things by controls etc., and as each control is imposed or announced, people rush to buy to beat it. Govt. has been as quiet as possible about these coming controls. But they will come, it is only way to beat inflation, & they plan to do that more this time.

Now consider speculating in commodities. It must be that buying commodities is not pure speculation, you should get a regular interest return as well.

Rails are probly as sound as
utilities now, but have a bad name. So
go heavy on rails when you buy again.
They pay higher, & swing more.

Stocks, Oct. 30.

China not coming in. (What made me think that?)

Requirements for big down payments on homes can work two ways. It stops lenders from investing in houses; but encourages buyers to invest in them. But obviously the lenders are the bigger element, & house bldg. will decline. An inv. opp. closed, or reduced.

Evidently those using loans to buy stock not money, so higher margin req. there not so important.

Right now, bus. may be loading up for the big Xmas rush. Kiplinger predicts, thus raising mkt, selling stocks. After Xmas - depending on how it goes - ~~the~~ will load up more?

A flood of year-end extras expected, which should bolster mkt now. (if corps pay these extras, they have less use for m themselves, shows lower inv. opp.)

Most stocks still selling at prices like other troughs, not peaks. (Earnings have boomed so this last yr. - & should stay up I hope) ^{earnings ratios}

I have been wrong in ass. that defense plants not a private inv. opp. Govt. wants individuals to invest in them, probly underwrites inv. somehow - something about writing them off in 5 yrs. This tremendous Δ prod. of ke etc is invested in by someone. Only if it's govt. does this not mean a large inv. opp. for private bus.

V of m ^{in NY} fell in Sept from Aug high, due to lower security mkt activity. (people trying to Δ c.b.?)

Last week bond mkt moved lower, as well as stocks. This shows antic. earnings, etc., not cause of fall, but just a Δ mkt.

FR wants to raise shrt. tm. mkt, evidently the abnormal gap still obtains, (which started from freezing prewar structure, continued as means of Δ M & supporting bonds?). This will check Δ M a little (banks had been moving into long terms, FR bought shorts, Δ res...). Now, has FR regained control over M? (doubt)

\$ gap closed in Aug. - we had first import surplus since June '37. Due to hoarding etc. Even balance predicted.

Utilities esp. susceptible to capping Δ taxes, because most dividends narrowly covered, by earnings

Δ taxes to be announced post elections.

Credit controls to come after elections, coupled with heavy inventories now held, may make civilian mkt flooded, prices drop. - I doubt this, I think speculators & hoarders ready to load up for next year's scarcities. This, note, is a big current inv. opp.

I suppose we will get much tougher taxes less infl., this time, because we are now afraid of infl., unlike last time.

People will take profits now to avoid higher rates next yr.

Industry planning to expand, buying new plant & equipment at 2d highest rate in history. Some of Δ is due to 'funds placed at president's disposal for financing war industry' - this sort of inv., if by infl., keeps down inv.; if by taxation, takes in that would otherwise have been spent on securities, partly non-sec., & thus blocks an inv. opp. Anyway, industry will do lots of expanding with its own funds. Most of it, says Mag. of Wall St.

Sell everything to morrow. Buy some bonds? Not nec. Not long terms. Keep on, or

Analyst predicts yr. end etc. dividends to use postal savings be not so big, as will be plowed into investments more - This double barreled effect, now working v.s. me. Sell!

Some think inventories overloaded, civilian demand will ease off before war demand starts. I think anticipation of war demand is enough. War demand is current, if anything is holding it up it is just bottlenecks, & people will invest to stop bottlenecks.

If manuf. expect a big, e.g., Xmas demand, they will buy up for Xmas, & in so doing add to p.p. at Xmas - it snowballs.

Not all retailers have high stocks now. Mummy depleted in July buying rush. Others, e.g. liquor, stocked way up - but this kept manuf. inv. low. Arthur thinks they are pretty high now, tho, by & large. Possibility of let down in next

~ Fear of infl makes people rush to buy goods, more than stocks?

Low months - but desire to hoard goods, fear of infl, the imponderable.

— R.R.s can, in new tax law, write off huge new purchases of cars etc. in 5 yrs - so buy back into rails, after this drop. 5 yr. acting amortization, instead of conventional 15 yr, will make reported earnings look smaller at first, but means big saving. But manuf. can write things off in 5 yrs too - but this things they write off harder to convert to civilian use. But the drop never came - they rose, & after I sold mine!

? - - Woodruff says: utilities not to be hit so hard by EPT because it is figured they are subject to one anyway, since their rates are lowered when profits rise. (note: it follows utilities no good vs. inflation, so get out of them anyway - esp. now, when i.r. rising)
- But AT&T revenue mostly from other sources.

In 1946, PGE sold at 40-45 -- so it can rise way up when
L&N " " 65-70 - 4mr.
McG-H " " 28-45 - swung way up & down again.
B-J " " 25-40, also a big swing. Rose to a 1948 high, unlike others.

B-J looks like a good one to buy back. McG-H is historically high, may tumble a long way, good to buy back if it does.

Inv. opp. are going to stay high, but this does not mean they will Δ . Stocks rose on various misconceptions, as in '46, mainly an underestimation of alternatives inv. The spec. issues rose, not the blue chips. hence they will do the falling - so Woodruff reckons. The overestimation was by a spec. element, so decline should be in those. My decision to sell is not that alternative inv. opp. have suddenly Δ d, but have been substantial all along, & an element in what has interest them - that spec. element. Those holding blue chips haven't interest them.

But there is further evidence that i.r. is actually rising, i.e. the fall of bonds. Call Woodruff on this. But this fall only shows that it happened once. Maybe Δ in inv. opp. not enough to make it recur. Did they fall appreciably?

Why does stock mkt tumble on any peace or war scare? Because any such major revision in future calls for big changes in plans, which is an inv. opp., people sell to get in for new enterprises. ?

Why do I think mkt. will fall? Not so much that inv. opp. are Δ ing, but that they have been up high all the time, & one section of the mkt. has ridden up too high, ~~on strength of it~~ & that section will fall.

(Why do I say high yields on new inv. depress stocks, when they Δ antic. earnings? Because Δ earnings is just prop. to Δ i.r., hence no effect on value of new inv.s made by co.s.; while their existing assets, yield unchanged, capitalized lower.)

Tax effects due to war create great new inv. opp. This may actually mean an Δ in i.r. - watch for this. But remember, too, it is offset by shutting off various civilian inv. outlets.

Watch the year-end extras. If they are lower than antic., it means Δ inv. opp., lower dividends, lower stock prices.

At any rate I can be sure for some time that yields must stay high, so whenever any stock or typical stock rises, is time to sell, it, & gen. mkt. if it rises, will come back down.

But remember, too, another vble, antic. yields. The high dividends of 1949-50 are new, & when we adjust to them it may turn out that mkt. will discount at lower than present rates, due to Δ d confidence in future.

Keep your eye on things every week now for a while, don't get 6-mo. sleeping sickness.

Bonds now have been falling for 5-6 weeks, says Woodruff. They usually top off c. 4 mos. before stocks, but could be shorter.

Hold utilities, he advises, they've 'already had their shakeout', are low. He likes rails, because once every few years public gets very pessimistic, they go way down, get wonderful bargains. Look for this again.

Now get ready to buy commodity futures! Watch papers, & talk to Woodruff.

Continued high i.r. means, sooner or later, ΔV . People will get ~~more~~ more confident, not feel like holding so much cash — altho greater affluence means more willingness to hold cash. But we could have a flight from m, if infl. scares. But also strong govt. controls — but they will let p rise some first. So go down this week & buy commodities. Get out of money.

Stock market drops

Some NY bonds raised m.r. on loans ^{prime} from 2% to 2 $\frac{1}{4}$ %, part of ~~Treas~~ ^{FRB} Program vs. infl. But ~~four~~ Loans have been climbing fast (& may continue to). 1 mo. earlier, FRB raised rediscount rate 1 $\frac{1}{2}$ - 1 $\frac{3}{4}$ %.

McCabe anti-infl. Since Korea, loans of comm. bonds Δ \$2.56. Consumer Δ book credit large. Last yr, Δ 50 - 60b, of the 60, 40 is home mortgages.

Δ taxes by \$4.7b, stopgap. Indiv. inc. tax Δ 2.7, corp. 1.5, excise .5. Excess profits maybe coming later, to be retroactive.

Is a sharp Δ demand for credit by business. Since June 2, loans of NY bonds Δ 20%.

This m.r. on loans to strongest business was:

1933	$\rightarrow$ 4%
35	$-$ 1 $\frac{1}{2}$ %
1947	$-$ 1 $\frac{3}{4}$ %
late 1948	$-$ 2%

These are only changes in that pt. (an administered price?)

Tentative conclusion: as m.r.s rising, stocks won't rise much. Maybe another drop when I could buy more.

Cars etc are sure to rise, because infl. is inevitable. Buy now, a fairly expensive car. Maybe a Plymouth Suburban, new.

Oct. 20. First signs of price drops, e.g. lumber. Unexpected quick end to Korean war means disbanding of goods, opposite of when war started, will push up stock mkt. further. Then Nov. elections, a by-election, probly swing to right, push further up. Infl. pressure continues. Credit blocks in bldg. etc begin to take hold, push funds out of that. I can sell c. Feb. 1, maybe just in time. Watch inv. opp. & i.r.s.

E bond maturities & other redemptions running ahead of sales, will get more so, top of \$7.2b 1954.

Maybe credit to buy stocks will be reduced too?

New reg. X, on housing, expected to cut # of starts by 30% next year (there is m to hit stocks). Other controls expected to follow suit - cons. credit e.g.

X inv. opp. & who will invest in war plant? Govt. mainly. & not by

selling many bonds, people don't want. Taxes & int'l.
Govt. will lend in for defense expansion much.

When war ends, & private inv. opp Δ , stock mkt will fall, as in '46 - watch for that. But not now.

Cap. gains: tax: before 6 mos., pay at regular rate. After 6 mos., pay at either 25%, or at $\frac{1}{2}$ regular rate. (I can offset in any event, so no matter.)

Maybe we are in (for) another wave of hoarding, in anticip. of more extreme shortages to come. Hence drop in stocks. If China is entering, it is sure. If Demos win in election - but China entry prevents this? Or do people vote on that basis? Or does it matter much now? Will Republicans inflate more than Demos?

MERRILL LYNCH, PIERCE, FENNER & BEANE

UNDERWRITERS AND DISTRIBUTORS OF INVESTMENT SECURITIES

BROKERS IN SECURITIES AND COMMODITIES

OCTOBER 24, 1950

STOCK COMMENT NO. 527 (File: S. & I. S. Information)

INVESTMENT DISCUSSION

The Following Is the Investment Discussion as It Will Appear
in the Forthcoming Issue of the Security and Industry Survey.

Current levels for the stock market suggest increased caution. In fact, selective profit-taking may be in order in some of those stocks which have advanced substantially over the past year.

The stock market has staged a surprising performance since the lows made in mid-July following the news of North Korean aggression. At that time some rally seemed probable following the scare selling touched off by fear of war with Soviet Russia. Three months later common stock prices are above pre-Korea levels and in some cases at the highest levels in the last 19 years.

Reasons for this price recovery are many. Industries that figured to benefit from rearmament activity showed the way. The fact that Russia did not seem anxious to engage in outright war was favorable. When the original war beneficiary stocks lagged, along came the Inchon landing that crushed Red resistance in South Korea. So war, lack of major war, military victory and plans for huge defense spending have all supported the recent rise in security prices.

Back of these strange bedfellows has been the rush by producers and consumers alike to stock up scarce commodities. This caused record seasonal retail sales and peacetime production activity leading to the expectation of higher earnings and dividends. Added to this was the fear that increased defense expenditures would increase budgetary deficits. Many investors reason that in such an economy, fixed income securities do not protect capital. Hard goods have been the main support of the business boom since the short business correction of the first half of 1949. Peaks in production, sharply rising loans, higher plant and equipment expenditures have taken place as people have become less cautious in anticipation of the expected shift to a rearmament economy. This entirely new factor lends support to the generally accepted idea that business will continue without interruption at current high levels.

But anti-inflation action is gaining momentum. Congress is to meet in special session before the new year to consider increased taxes in either E.P.T. form or further increases in present normal and surtax rates. Higher personal taxes are also a possibility. Tax increases might put the economy on a near pay-as-we-go basis. The outlook for the next six months is for government income to exceed outgo so that the net effect will be deflationary for this period. Later on when defense expenditures increase, budgetary deficits will return. Federal Reserve Board action in regard to credit controls has been to apply stiff curbs on installment credit and increase down payments on housing loans. Pressure toward raising short term interest rates has already been applied by raising rediscount rates in order to curtail business lending. An increase in bank reserve requirements appears probable.

(Investment Discussion - 527)

MERRILL LYNCH, PIERCE, FENNER & BEANE

UNDERWRITERS AND DISTRIBUTORS OF INVESTMENT SECURITIES
BROKERS IN SECURITIES AND COMMODITIES

OCTOBER 24, 1950

STOCK COMMENT NO. 527 - Continued - Page 2

Stock market credit may also be tightened by raising margin requirements but this form of credit is no higher than 1946 levels. On the other hand installment, mortgage, and business loans have moved steadily upward. Price and wage controls are also under consideration as a last resort. Effect of price ceilings might be to cut corporate profits in some industries.

The market itself has provided no sure clue to its future direction. Trading volume has expanded with the rise in prices, usually an indication of continuing trend. The shift toward more speculative securities suggest that a less cautious attitude is developing. The short interest is below pre-Korea levels. It now stands at 2,044,272 shares as compared with 2,368,946 shares before the July drop. Therefore, the cushion of a large short position is not as strong. Seasonal influences of tax selling may be important in November and December markets. Outlook for higher personal taxes next year may encourage substantial profit-taking this year as establishment of long term profits at present rates is desirable.

Clarification of tax legislation and effect of step-by-step inflationary control measures could have temporary unexpected deflationary repercussions. The anticipatory buying by business and consumers that fed the Korean boom could suddenly slacken now that Korean peace is near. Meshing of rearmament expenditure with slackening of civilian spending might not be perfect.

It is possible however, that an effective investment floor for stock prices has developed over the past five years. Demand from institutions, insurance companies, investment trusts, bank trust departments and pension funds for relatively higher stock yields from quality common stocks has become increasingly larger. This factor should cushion any deflationary decline. And further inflation unless checked could easily increase the force of money seeking protection in common stocks. Stock prices may eventually more fully reflect the growth of our economy over the past 20 years. Price-earnings ratios and stock yields even at present high price levels compare more closely to those at previous market lows than at former highs.

Careful selection is obviously necessary in markets subject to sharp changes in both deflationary and inflationary forces. Present relatively high market levels suggest advisability of increased caution and reduction of common stock portions of portfolios. Profit taking appears desirable in some industry groups that have been strong in recent markets and that have fully reflected the market rise from the lows of 1949. Papers, Motors and Steels are examples. In the following industry pages, downgrading of ratings might be used as a guide for weeding out issues in which market risks have visibly increased. On the other hand, reinvestment of funds could be considered in groups that have been upgraded and in which investment demand might be expected to maintain a price floor. Electric utility companies are possible candidates. Each individual has a different problem but in general it would seem advisable to reduce risks and build up cash reserves as a conservative measure.

Sent over our wire system, October 20, 1950.

(Investment Discussion - 527)

Utilities not much good vs. infl., & rails not too much better.
About the best seem to be nat. resource industries. Difficulty there
is tax exempt dividends, bid up by those in high brackets.

What is ideal inv. for me?

A good one is to take m to Mexico & live cheaply there for
years.

Go Springfield tomorrow, see Woodruff re commodities; &
buy shirts, socks. Ask him what is best vs. infl.

Vicks still down at 24

Big industries, subject to price control, not so good vs
inflation. But some little specialty business producing
non-essential gimcracks, from non-strategic materials
-- so it won't lose its raw materials -- is ~~type~~ type
of thing to buy now. -- like McCall's.

How about Vicks? Life Savers? Coca-Cola,
Pepsi-Cola

I should probably get out of
AT&T .. Jim Berney says it has no
rise potential.

~~Order~~ Order to Woodruff

1. Bid ²²~~23~~ for 25 BJ
2. Bid ²²~~23~~ for 25 Slinkote
3. Bid ²⁸~~30~~ for ²⁰ Union Oil
- ~~4. Bid ²⁸~~29~~ for 25 Slinkote~~
4. Bid ²⁸~~29~~ for 20 Rock G&C

Chances are I won't get
all of these, & the remaining
\$. I can use to ~~buy~~ buy
some specialty stock, once
I've hit on a good one.

Buy peace stocks when they
go down. I still think peace is
coming. If I am ~~quite~~ right in
thinking fair treatment of other
nations will prevent war, will be
no war, as Russia is secure --
the this not quite same as
our treating her fairly.

Movie stock should be good.
People will blow on entertainment
when other expenditures denied.

THE KIPLINGER WASHINGTON LETTER

CIRCULATED PRIVATELY TO BUSINESSMEN

THE KIPLINGER WASHINGTON AGENCY

1729 H STREET, N. W., WASHINGTON 6, D. C.

Dear Sir:

Washington, Saturday, Jan. 13, 1951.

What to do about price and wage control is still up in the air. Groups of officials are battling with each other behind the scenes here. They are frantic to do SOMETHING, but they can not agree on what to do. Meanwhile prices are rising fast...urged on by the impasse in Washington.

Our opinion is that general price & wage control will come soon. Not later than 30 days hence, mid-February, and possibly sooner. The machinery for enforcement will not be ready, and it will be messy, but it will look like "positive action" to curb the current runaway.

Steps on price control will be these, or something like them:

(1) Roll many prices back to where they were last Nov. or Dec. Just which and how far to go are still details...and distinctly fuzzy.

(2) Formula on future rises, based on 1946-49 company profits, allowing rises if they don't boost company profits above base period.

(3) Line-by-line adjustments later...specific price ceilings. Theoretically these may be either higher or lower than in Nov. or Dec., but most of them will be higher. Thus, a way to "thaw the freeze."

Note the profit control in all this. To win any price increase, many companies will have to argue about their profits with a gov't agency.

The formula for WAGE control is shaping up along these lines:

(1) Set a wage ceiling 10% to 12% above the level of June 1950. Allow wages in any line to move up to this ceiling without a gov't OK. Rely on the unions to push them up...with the gov't formula as sanction. Most of the unions will have increases coming to them under the formula.

(2) Then tie wages to living costs, with raises periodically, to be determined by Wage Stabilization Board...on top of the other raise. Amounts to gov't INVITATION to raise wages before stabilizing.

As for automatic raises, provided in many existing contracts, approve them only IF they fit into the wage formula as outlined above. Defer annual raises based on productivity...let them accrue... but set the money aside for future payments, maybe in form of pensions, or maybe in bonds payable after the emergency. That's the plan as-of-now.

Special pay boosts in "depressed lines," such as shoes, textiles, for they lagged behind others on wage increases in the postwar period. Very flexible, very stretchy...the whole plan for wage control.

A no-strike pledge from labor won't be insisted upon by gov't, at least for the present. The unspoken gov't attitude toward strikes is that some of them probably will be necessary in order to get raises, including the raises which will be invited under new gov't wage formula. If full war, that's another matter...there WILL be no-strike pledges... as in last war. But they won't stop strikes any more than they did then.

The policy is to be tough on prices and profits, easy on wages.

A new wave of scare buying is spreading across the country... and mounting as it goes. It springs from fear of shortages, controls, rationing, steadily rising prices, and the continued threat of war.

It's a sort of delayed flood. Officials expected it last fall when the Korean war took a bad turn. But it didn't develop at that time. It was hoped that the restraint meant that people were no longer scared. That theory was knocked out when the rush to buy started all over again.

Consumers are "hedging" against both shortages and higher prices. They frankly tell retailers that they don't know what the future holds, so they are going ahead and getting what they can while it is available. In this way they will have the goods and save some money, too.

Here's what folks are buying: Sheets, pillowcases, towels, linens, blankets, mattresses, men's clothing, white shirts, underwear, refrigerators, washing machines, ranges, and small household appliances.

Also autos, which were hit hard by the tighter credit controls. They are beginning to bounce back and sell faster...especially used cars.

January clearance sales are being cut short in many cities. Merchants find that they don't need big sales to stimulate business... that customers are eager to buy...and that stocks are moving faster than they can be replaced. Also that replacement stocks cost more. Some retailers even decided to hold the goods...wait for higher prices.

And prices WILL be higher this spring...all along the line.

As for food, there's no scare buying...no sign of hoarding. Housewives feel there is plenty, even of such items as sugar & spices. So they buy only what they need, but squawk loudly about rising prices.

The fear of lower quality is also making people rush to buy. Substitute materials are already being used in a great many products, and they will show up in the stores in a month or two. Some examples:

Electric fans will have plastic or steel blades, not aluminum.

Ranges: Storage drawers will be shifted from aluminum to steel, but later other substitutes will be used, due to curtailment of steel.

Refrigerators: More glass & plastic trays...less trimming.

Washing machines: Less aluminum and steel...more plastic.

Toasters, waffle irons, griddles: Some brands will not be made, for they are big users of tightest materials...copper, chromium, nickel.

Blankets will contain less wool, more of the synthetic fibers.

Foam rubber for mattresses & pillows will practically disappear.

Another spurt in buying will result from gov't cutback orders, limiting the use of materials and even stopping output of many things.

Examples: Kitchen pots & pans, venetian blinds, garden tools. Orders will soon be issued sharply cutting the use of aluminum for these, or prohibiting its use for some of them. Result: A rush to buy.

Plans for price control are being speeded up by the scare buying. Officials realize that inflation has received a new and powerful nudge, and for the first time there is fear that it might get out of hand... unless rigid price controls are slapped on some major products...quick.

This is a good time to rent an apt, it will be price controlled.

16 billions in new taxes... that's what Truman says he needs... to cover the deficit for fiscal '52. But Congress won't vote that much, says it's too stiff. Most that Congress will vote is 10 to 12 billions... and do that in two steps...one around midyear...the next about year end.

The first bill will raise 7 to 10 billions, follow this pattern:
A big hike in individual taxes... an average boost of about 25%.
More corporation taxes... rates up 8 points...to a top of 55%.
New and higher excises... applying to many more consumer goods, such things as candy, soft drinks, chewing gum, washing machines, etc.

The second tax bill will tighten up the excess profits tax, for the administration considers the relief provisions "much too easy."
Individuals probably will escape a rate increase in this bill.
General sales tax will not be asked by Truman...not this year. Idea has strong backers, but without Truman's OK it has little chance. And taxes will go still higher if the war situation gets worse.

Draft of 18-year-olds: Congress probably won't vote it soon, out of remembrance of high casualty rate among 18-year-olds in the past war. Instead, more veterans with less than 1 year's service may be called.

Telephones for farmers: This part of REA program will be hit by scarcity of materials. Fewer telephones for farm homes this year.
But REA electric power program for rural areas will be expanded, because it serves war plants, airfields...will get materials it needs.

Shortage of machine tools will worsen in the next month or two. Tool makers will get big war orders. Civilian lines will have to wait.
Steel priorities are bogging down, do NOT guarantee delivery. Many steel mills already have more priority orders than they can fill, so even manufacturers with war contracts have to shop around for steel.

A complete allocation system like old Controlled Materials Plan, CMP of last war, is gov't answer...being readied for use in late spring. This will put a tighter squeeze on civilian lines which have no priority.

Down payments on houses will be boosted in NON-defense areas, to offset a coming relaxation of terms on houses in defense centers.

The new credit curbs on apartments, just out, won't hurt much, for the higher down payment is only a bit more than FHA now requires. But apartments will soon be hit hard by a new gov't "licensing" plan. Licenses will be issued only if the builders can convince the gov't that the apartments will ease the housing shortage in tight areas.

Instalment credit curbs will be tightened, probably in 60 days, because of rising prices and bigger sales of autos and home appliances.

Charge accounts: Control is NOT near, despite all the rumors.

Stock market rise will continue, most gov't officials believe, with some interruptions and exceptions...but general trend will be up. Main reason they give is that 1951 profits and dividends will be high.

A runaway boom? Some gov't analysts are afraid it might come. And they say that increasing margin requirements to 60%, from 50% now, will only restrain stock prices, not reverse the rising market trend. But if market goes zooming, gov't will boost margins HIGHER than 60%.

UN forces will be pushed back to tip of Korea in a few weeks.
MacArthur plans a slow withdrawal, destroying as many reds as he can, but keeping casualties low and forces intact for a strong stand at Pusan, while the UN makes up its mind on what to do about China.

The U.S. wants the UN to agree to a "limited war" with China.
This would mean blockade, economic sanctions, cutting off all commerce with China...attacking seaports, and bombing inland industrial cities. But most other nations KNOW there is no such thing as a LIMITED war. They say such a plan would bring Russia in...and lead to a world war. So they will say NO to the U.S. proposal. They just won't go along.

A new plan is being promoted by some of the smaller nations. Nehru of India is plugging it in Europe now. It will make hot news soon.

It's a sort of "Marshall Plan for Asia," with major variations. Strengthen the economies. Build up living standards. More "home rule." Help the people to help themselves...give them something to fight FOR. It would cost money, but less than the Marshall plan...or a world war.

Here's how it would be done: Establish a "Pacific Council," a loose affiliation of most of the nations that are in the Pacific area... India, Indo-China, Malaya, Siam, Indonesia, Philippines, Japan, etc. Keep such big powers as U.S., Great Britain and France in the background, for small nations are suspicious of them, think they are imperialistic. Let India take the lead, for India is trusted, and above suspicion.

Kick out puppet rulers in small countries. Persuade the French, for example, to oust Bao Dai in Indo-China...the people don't follow him.

Then let the Asiatic countries work out their economic programs, with big nations behind scenes...to advise...and to help foot the bill.

Will it work? Will it keep Asia out of the hands of Russia?
Well, it will make things no worse than they are, and it MIGHT help. If something is not done soon, then all of Asia is sure to be lost... first one country, then another...with Russia setting the timetable.

The first REAL airing of our whole foreign policy in 10 years is now getting under way, is shaping up into a first-rate controversy.

Rallying point is Sen. Taft, so it may look like party politics. But Taft is being flooded with letters and telegrams from many people, Republicans AND Democrats, who say it is time to rise above politics... and who think the Truman policies need to be re-examined and challenged.

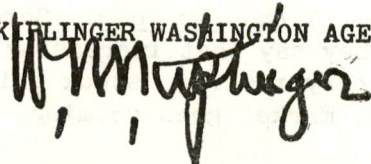
There IS a tinge of politics, but it goes much deeper than that. Many people are now speaking up out of a firm belief, a deep conviction that the gov't should be doing more than it is to avoid another war. The debate is not limited to Congress. It is also out in the country.

All this wrangling over foreign policy is hopeful, heartening. The result will be a better-informed nation, with better understanding of where the U.S. is heading...and why...and what the price will be. Now, for the first time, there's a feeling throughout the country that perhaps the people will be heard before getting FINALLY committed.

Yours very truly,

Jan. 13, 1951

THE KIRTLING WASHINGTON AGENCY



N.B. →

QUOTATION NOT PERMITTED. MATERIAL MUST NOT BE REPRODUCED IN WHOLE OR IN PART IN ANY FORM WHATSOEVER.

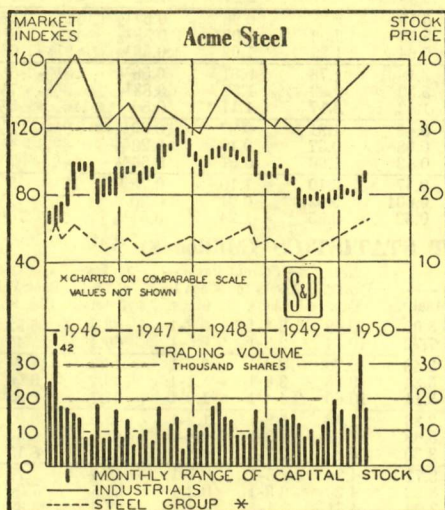
Stock—
CAPITAL -----

Approx. Price
22¾

Dividend
\$1.60

Yield
7.0%

RECOMMENDATION: The issue is selling at a higher price-earnings ratio than steel stocks generally, but the company's earnings and dividend record has been good, and holdings may be retained.



CHARACTERISTICS OF STOCK

The stock, comparatively price stable in pre-war years because of the absence of leverage, rose sharply in 1945-7 on stock splits and liberal dividends and is still relatively high-priced.

*CAPITAL SHARE EARNINGS

Quarter—	1950	1949	1948	1947	1946	1945
March ---	\$0.81	\$0.65	\$0.99	\$1.05	\$0.35	*\$0.26
June ----		0.56	0.75	1.06	0.53	0.31
Sept. ----		0.47	0.34	0.71	0.62	0.23
Dec. ----		0.22	1.11	0.99	0.79	0.16
12 Mos. Mar.	2.06	3.35	3.75	2.99	1.05	1.08

Sales declined 17% in 1949, reflecting adverse trade conditions, price cutting on some lines and the general steel strike in the final quarter. Squeezed by higher unit costs, profits fell 48% to \$1.91 a share. Company estimated strike losses at \$1.2 million or \$0.61 a share.

In the 1950 first quarter sales gained 10%, aided by higher average prices, and profits rose 25% to \$0.81 a share. Trade conditions have continued favorable so far in the second quarter.

NEAR TERM PROSPECTS

Earnings-Dividend Forecast

Profits for 1950 are expected to approximate \$3.25 a share. This would compare with \$1.91 in 1949 and \$3.68 in 1948. Dividends were increased recently to \$0.40 quarterly.

The outlook for specialty steel products, such as strapping, stapling wire and machines for stitching cartons and packages with wire, continues promising on a long-term basis. Manufacturers of consumer durable goods, such as household appliances and automobiles, are currently requiring large amounts of hot and cold rolled strip; price differentials may cause some buyers to shift, when the supply situation eases, to relatively cheaper cold rolled sheets which can be slit to strip widths at lower costs. Company has a number of new products under development, including strip steel mesh wall panels. The profits outlook for the current year is satisfactory.

LONGER TERM OUTLOOK

Principal Profit Factors

The overhead burden is relatively light, and control of costs is more flexible than for the average steel company in slack times, when margins are also aided by generally lower prices for purchased semi-finished steel and relative firmness and growing use of specialty items. Conversely, the company is at a disadvantage in periods when prices for semi-finished steel are rising. Continued long-term growth in usage of steel strapping and stitching wire for packaging is indicated.

DIVIDEND DATES

Approximate ex-dividend dates are Feb. 17 (payable March 12) and quarterly.

Dividend meetings usually are held early in February and quarterly.

¹Listed N. Y. S. E. and Midwest S. E. ²Restated. ³Adjusted for 3-for-1 stock split in April, 1945 and for a 2-for-1 stock split in June, 1949. ⁴Rate indicated by latest quarterly.

STANDARD LISTED STOCK REPORTS

STANDARD & POOR'S CORPORATION

Published at Orange, Conn. Editorial & Executive Offices, 345 Hudson St., New York 14, N. Y.

INCOME STATISTICS (Million \$) AND PER SHARE (\$) DATA

Year Ended Dec. 31	Net Sales	% Oper. Inc. of Sales	Ratio of Sales to Net Pft.	Deprec.	Income Taxes	² Net Income	² Capital Stock— ² Earns.	Divs. Pd.	² Price Range Cap. Stk.
1950-----	---	---	---	---	---	---	---	⁴ 0.75	23½- 19¼
1949-----	50.3	13.9	5.1-1	0.95	2.34	3.79	1.91	1.75	24½- 17½
1948-----	60.3	20.6	4.2-1	0.83	4.35	7.31	3.68	2.00	27¼- 22¼
1947-----	55.1	23.4	5.9-1	0.66	4.39	7.52	3.79	2.12½	30 - 21¼
1946-----	39.8	20.8	5.0-1	0.59	2.98	4.47	2.27	1.65	25 - 15¼
1945-----	41.0	24.3	6.3-1	1.41	6.18	1.88	0.96	0.67½	17½- 11¾
1944-----	41.6	22.8	5.1-1	1.35	5.73	2.03	1.03	0.58½	11 - 8¾
1943-----	35.8	26.5	4.0-1	1.29	5.64	1.99	1.02	0.58½	9½- 6¾
1942-----	26.0	24.0	2.7-1	1.17	3.18	1.78	0.91	0.58½	8½- 6¼
1941-----	34.8	26.4	3.3-1	0.90	5.30	2.99	1.52	0.83½	8¾- 7¼
1940-----	20.7	20.3	2.2-1	0.60	1.42	2.17	1.11	0.50	10 - 5¾
1939-----	17.4	17.5	2.1-1	0.63	0.43	1.91	0.97	0.33½	9½- 5¼
1938-----	11.0	9.6	1.3-1	0.60	0.08	0.37	0.19	0.20½	8¾- 4¾
1937-----	19.8	14.5	2.4-1	0.55	0.42	1.90	0.97	0.66¾	14¼- 7¾
1936-----	16.7	18.9	2.4-1	0.50	0.47	2.10	1.10	0.75	12½- 9¾
1932-----	5.7	12.1	0.7-1	0.59	0.004	0.02	0.01	0.20	3 - 1½
1929-----	---	---	---	---	0.32	2.55	1.24	0.51½	19%- 10¾

PERTINENT BALANCE SHEET STATISTICS (Million \$)

Dec. 31	Total Assets	Cash Items	Inventories	Receivables	Current Assets	Current Liabls.	Net Workg. Cap.	Current Assets to Liabls.	Cash to Liabls.	% Inv. of Cur. Assets	² (%) Book Val. Cap. Sh.
1949--	32.3	1.72	9.94	3.93	15.58	5.09	10.49	3.1-1	0.3-1	63.8	13.59
1948--	34.7	3.50	10.79	3.43	17.86	7.72	10.14	2.3-1	0.5-1	60.4	13.42
1947--	32.0	6.03	8.48	3.63	18.14	8.43	9.70	2.2-1	0.7-1	46.8	11.74
1946--	23.5	4.34	6.34	3.04	13.72	3.84	9.88	3.6-1	1.1-1	46.2	9.96
1945--	21.6	5.95	5.65	2.15	13.76	3.11	10.65	4.4-1	1.9-1	41.1	9.35
1944--	20.7	3.38	5.14	2.77	11.29	2.86	8.42	3.9-1	1.2-1	45.5	9.02
1943--	22.5	4.55	5.27	2.90	12.72	5.68	7.03	2.2-1	0.8-1	41.5	8.50
1942--	19.3	2.61	4.88	1.76	9.25	3.39	5.86	2.7-1	0.8-1	52.7	8.15
1941--	19.0	2.56	4.11	1.88	8.55	3.71	4.84	2.3-1	0.7-1	48.0	7.74
1940--	17.1	0.73	4.86	1.83	7.42	3.22	4.20	2.3-1	0.2-1	65.5	7.04
1939--	14.9	0.85	4.26	1.78	6.40	2.09	4.31	3.1-1	0.2-1	66.6	6.38

¹After deducting U. S. Treasury tax notes. ²Adjusted for 3-for-1 stock split effected in 1945 and for 2-for-1 split effected in 1949. ³After contingency reserves of \$0.07 a share in 1942, \$0.21 in 1943, \$0.07 in 1944 and \$0.03 in 1945. ⁴\$0.40 on June 12 and \$0.35 on May 13.

ANALYSIS OF EARNINGS AND BALANCE SHEET DATA

Fundamental Position—Non-Integrated

Acme concentrates on the production of hot and cold rolled strip steels, and specialties made therefrom, such as steelstrapping for product protection in transit; stapling wire and machines for stitching cartons; hoops, kegs, tubs and special-design containers; and Venetian blind slat stock. Operations are non-integrated. The company has an annual hot rolled strip capacity of about 545,000 net tons, a part of which is converted into cold rolled strip; in 1947 new facilities increased cold rolled strip capacity by 120,000 tons. Semi-finished steel (billets and slabs) is purchased.

About 66% of strip produced is for sale, with cold rolled strip accounting for 17%; remaining 34% is further processed into specialty products, which account for about 50% of sales value and 65% of earnings.

The company owns the entire stocks of the Acme Steel Co. of Canada and the inactive Acme Steel Goods Co. In 1943, the company secured the exclusive sales rights on the Champion Stitcher.

Domestic plants are located at Chicago and Riverdale, Ill.

Earnings-Dividends—Favorable

Following the 1938 depression, earnings recovered strongly to new records in 1940 and 1941 under the war stimulus, dipped sharply in 1942 under war restriction, but recovered moderately during 1943-5, aided by war requirements for strapping. Lower taxes boosted earnings in 1946; larger volumes and higher prices extended the gain in 1947. Net declined in 1948 despite higher sales. Trade conditions were adverse in 1949.

Generally liberal dividends have been paid every year since organization. The stock was split two-for-one in June, 1949.

Finances—Fair

Reflecting plant improvement expenditures of \$11 million in 1946-8 and relatively liberal dividend payments, working capital declined in 1946 and 1947, and cash assets decreased further in 1948 and 1949. At December 31, 1949, working capital appeared adequate for ordinary needs.

CAPITALIZATION

Funded Debt: None.

Capital Stock: 1,986,648 shares (\$10 par).

Incorporated in Illinois in 1885. Office—2840 Archer Ave., Chicago 8. President—C. J. Sharp. Secretary-Treasurer—T. A. Rand. Directors—C. M. MacChesney (Chrm.), G. T. Avery, W. C. Fork, J. North, C. D. Norton, R. H. Norton, J. E. Ott, T. A. Rand, C. J. Sharp, L. Shaw, L. Whiting, A. B. Wilson. Transfer Agents—Guaranty Trust Co., N. Y. C.; First National Bank, Chicago. Registrars—City Bank Farmers Trust Co., N. Y. C.; Continental Illinois Bank & Trust Co., Chicago.

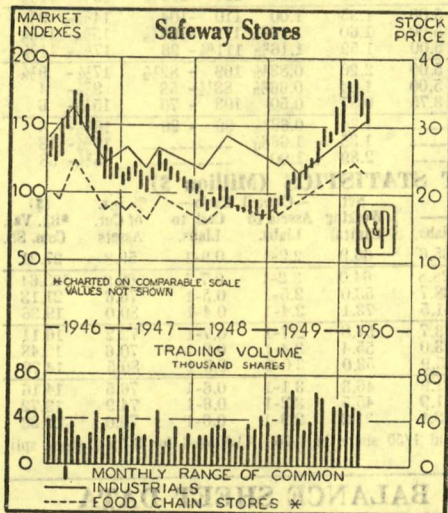
NOTE—Information and advice are furnished without representation or responsibility as to accuracy or completeness and without liability for any act or omission in collecting or providing the same.

Printed in U. S. A.

Stock—
COMMON _____
\$5 PREFERRED _____

Approx. Price	Dividend	Yield
34½ 30	\$2.00	5.8%
113	5.00	4.4

RECOMMENDATION: The elimination of smaller units and the growing number of super-markets are improving operating efficiency, and large scale expansion is underway. Earnings and dividend prospects are promising and the COMMON stock may be held on a long-term basis. While subject to call at 110, the yield on the PREFERRED is fairly good.



CHARACTERISTICS OF STOCK

The common stock moves with the general market but over a wider range reflecting leverage of large sales per share and large prior charges. Underlying growth is a supporting factor.

*COMMON SHARE EARNINGS

	1949	1948	1947	1946	1945	1944
First half	\$2.53	\$1.07	\$1.66	\$1.49	\$0.74	\$0.88
Final half	2.69	2.43	1.11	2.60	0.85	0.75

Sales declined 7.1% in 1949 reflecting lower prices and the closing of 98 units; 26 new stores were opened. While merchandising margins are indicated to have narrowed as the result of competitive pricing, a smaller proportion of sales was spent for wages and general operating expenses. As a result, operating income advanced 47%. Taxable net was up 46% and earnings increased 44%.

In the 16 weeks ended April 22, 1950, sales were off 5% reflecting lower prices, fewer stores in operation, and a strike in the San Francisco area.

¹Listed N. Y. S. E.; com. also listed San Fran. and Los Ang. S. Es. and traded Bost. and Phila.-Balt. S. Es. ²Adjusted for 3-for-1 stock split made in April, 1945. ³24 weeks. ⁴Rate indicated by latest quarterly.

NEAR TERM PROSPECTS

Earnings in 1949 rose to \$5.22 a share from \$3.50 in 1948, and a further moderate gain is possible this year. Dividends are likely to remain at \$0.50 quarterly because of expansion requirements.

Demand for food products should continue relatively large. The store expansion program, which is expected to be accelerated this year with the opening of about 150 new stores, as well as substantial modernization contemplated, should lift volume to a new peak. However, little change in dollar sales is tentatively expected in view of lower average prices.

Lower food prices may aid in improving merchandising margins this year. New large markets, the closing of smaller units, and further internal economies, should result in lower unit expenses. Wider margins may permit earnings improvement.

LONGER TERM OUTLOOK

Principal Profit Factors

Aggregate tonnage fluctuates less than in many industries, but sales, as well as the type and quality of foods sold, vary widely with changes in consumer incomes and in price levels.

Plans to construct about 1,000 stores in the five years through 1954 to replace obsolete stores and provide outlets in localities not adequately served, and extensive modernization, should result in further growth of volume. Improving efficiency should further strengthen the company's competitive position.

DIVIDEND DATES

Approximate ex-dividend dates are March 16 (payable April 1) and quarterly.

Dividend meetings usually are held early in March and quarterly.

STANDARD LISTED STOCK REPORTS STANDAED & POOE'S CORPORATION

Published at Orange, Conn. Editorial & Executive Offices, 345 Hudson St., New York 14, N. Y.

INCOME STATISTICS (Million \$) AND PER SHARE (\$) DATA

Year Ended Dec. 31	Net Sales	% Oper. Inc. of Sales	Ratio of Sales to Invent.	Income Taxes	Net Income	—\$5 Preferred— Earnings	Divs. Paid	—Common— Earnings	Divs. Paid	Price Range \$5 Preferred	Common
1950	---	---	---	---	---	---	---	---	---	---	---
1949	1,095.1	2.1	17.9-1	8.17	14.37	76.85	5.00	5.22	1.25	113%-109%	37 - 29½
1948	1,178.7	1.3	18.2-1	5.56	9.98	52.13	5.00	3.50	1.00	114 - 112½	37 - 29½
1947	1,037.8	1.2	14.0-1	4.63	8.10	41.37	5.00	2.76	1.00	114½-110%	21½ - 16½
1946	847.5	2.4	8.5-1	7.90	11.41	56.98	5.00	4.04	1.00	116 - 110%	26½ - 20
1945	664.8	2.1	10.1-1	3.92	5.08	24.82	5.00	1.59	1.00	115½-110½	34½ - 22
1944	656.6	2.4	11.9-1	5.06	5.20	24.90	5.00	1.63	1.00	115½-110½	28 - 18¾
1943	588.8	2.3	9.3-1	3.42	5.04	23.58	5.00	1.56	1.00	114 - 105½	18¾ - 14¾
1942	611.1	2.5	11.7-1	5.18	4.52	21.06	5.00	1.35	1.00	110 - 104	15½ - 9¾
1941	475.1	2.9	9.5-1	3.56	5.04	22.68	5.00	1.60	1.16%	113 - 106½	15½ - 11½
1940	399.3	2.7	12.1-1	1.69	4.79	25.80	5.00	1.59	1.16%	111½ - 96	17½ - 11½
1939	385.9	3.2	11.8-1	1.67	6.27	37.84	5.00	2.20	0.83%	109 - 82½	17½ - 9½
1938	368.3	2.7	12.6-1	0.90	4.21	28.29	5.00	1.34	0.66%	83½ - 58	9½ - 4
1937	381.9	2.1	12.0-1	0.75	3.08	19.87	3.75	0.87	0.50	103 - 70	15½ - 6
1936	346.2	2.6	11.3-1	1.01	4.16	---	---	1.34	0.66%	99 - 96	16½ - 8
1932	229.2	3.3	12.5-1	0.49	4.25	---	---	1.35	1.66%	---	19½ - 18
1929	213.5	3.9	9.6-1	0.61	6.15	---	---	2.89	1.00	---	65½ - 38

PERTINENT BALANCE SHEET STATISTICS (Million \$)

Dec. 31	Total Assets	Cash Items	Inventories	Recs.	—Current— Assets	Liabs.	Net Working Capital	—Current Ratio— Assets to Liabs.	Cash to Liabs.	% Inv. of Cur. Assets	(\$) Bk. Val. Com. Sh.
1949	146.4	32.1	61.2	5.2	102.4	35.6	66.9	2.9-1	0.9-1	59.8	27.31
1948	130.7	20.7	64.9	4.4	92.8	28.8	64.0	3.2-1	0.7-1	69.9	23.64
1947	134.8	19.2	74.1	3.4	96.7	38.7	53.0	2.5-1	0.5-1	76.6	21.13
1946	143.4	21.1	99.6	3.8	124.5	51.5	73.1	2.4-1	0.4-1	80.0	19.36
1945	117.3	22.0	66.1	3.4	91.5	33.7	57.8	2.7-1	0.7-1	72.2	16.11
1944	102.2	20.0	55.4	3.1	78.4	23.0	55.4	3.4-1	0.9-1	70.6	15.48
1943	104.8	12.8	63.5	2.6	78.9	25.9	53.0	3.0-1	0.5-1	80.5	14.79
1942	100.4	12.2	52.2	3.9	63.2	21.9	46.3	3.1-1	0.6-1	76.5	14.16
1941	100.2	12.6	49.8	4.1	66.5	21.9	45.5	3.2-1	0.6-1	74.9	13.72
1940	80.9	9.6	33.1	4.6	47.3	13.1	31.2	2.9-1	0.6-1	70.0	13.23

¹Also 1/50 share \$1 preferred in 1939; 1/100 share in 1937 and 1/50 share in 1936. ²Adjusted for 3-for-1 stock split effected in 1945. ³Two regular quarterlies. ⁴On Apr. 1.

ANALYSIS OF EARNINGS AND BALANCE SHEET DATA

Fundamental Position—Important

Earnings-Dividends—Good

Safeway Stores is the second largest food chain in the industry. About 2,031 stores are operated including 605 in California, 152 in Washington, and 94 in Oregon; 128 in Texas, 98 in Colorado, and 91 in Oklahoma; 147 in New York and 98 in Washington, D. C. In addition, 135 are located in Canada.

Through the absorption of other chains and the opening of new units Safeway's sales jumped from \$50,500,000 in 1928 to over \$230,000,000 in 1932.

Domestic facilities include 23 principal grocery warehouses, 18 produce warehouses, 14 bakeries, 7 fluid milk plants, 6 coffee roasting plants and 9 meat distribution warehouses. The Canadian subsidiary operates 11 principal grocery warehouses, 2 produce warehouses, 3 bakeries, a milk plant, a coffee plant, 2 fruit and vegetable canneries, and a jam and jelly plant.

Since then, the policy of eliminating the uneconomic small stores and adding larger more efficient stores, has reduced the number of stores sharply, but sales have continued to rise to new peak levels.

At December 31, 1949, facilities were occupied under a total of 2,648 leases with a minimum annual rental for the year 1950 of about \$7,351,000 in the U. S. and \$390,400 in Canada. About \$145 million will be spent under the expansion program.

Earnings growth has not paced the rise in sales because of increased competition since the early 1930's and rising wages, and heavy taxes during the war years. Rising prices, wider margins, and a lower tax rate lifted net sharply in 1946. A reduction in markups narrowed margins in 1947, but widened during 1948 and 1949 as the result of internal economies.

Dividends have been paid without interruption since 1927.

Finances—Sound

CAPITALIZATION

The sound working capital position, maintained for many years, was further strengthened in 1941 through sale of debentures and preferred stock. Working funds declined in 1947 as \$18,000,000 in current debt was eliminated and subsidiaries were consolidated. Inventory reduction lifted cash items in 1948 and 1949.

Bank Loan: \$20,000,000, due 1951-55.

\$5 Cum. Preferred Stock: 186,965 shares (\$100 par); red. at \$110.

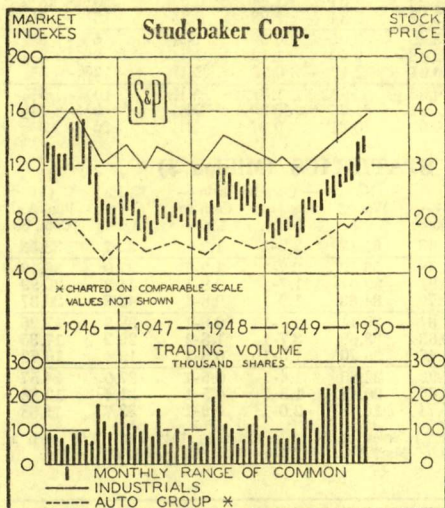
Common Stock: 2,570,644 shares (\$5 par).

Incorporated in Maryland in 1926. Office—4th & Jackson Sts., Oakland 4, Calif. President—L. A. Warren. Secretary-Treasurer—M. L. Selby. Directors—N. Chandler, A. L. Gates, A. D. Kirkland, C. N. Sanders, A. Stewart, L. A. Warren, B. Wilbur. Transfer Agents—Chase National Bank, N. Y. C.; Crocker First National Bank, San Francisco. Registrars—City Bank Farmers Trust Co., N. Y. C.; Bank of California, N. A., San Francisco.

NOTE—Information and advice are furnished without representation or responsibility as to accuracy or completeness and without liability for any act or omission in collecting or providing the same. Printed in U. S. A.

Stock—
COMMONApprox. Price
35 1/8Dividend
\$3.00Yield
8.6%

RECOMMENDATION: The passenger car and truck fields are cyclical and keenly competitive. However, the company is a leading independent producer, and despite the recent advance, the stock is conservatively priced relative to expected earnings over the medium term. Retention of speculative commitments is recommended.

**CHARACTERISTICS OF STOCK**

One of the best of the independent auto equities, the common still is highly speculative, because of keen competition in the field and sharp cyclical fluctuations in earning power. Competitive developments will be an important market factor.

COMMON SHARE EARNINGS

Quarter—	1950	1949	1948	1947	1946	1945
March	\$2.94	\$2.21	\$1.81	\$0.70	\$0.06	\$0.44
June		2.77	1.64	0.82	0.07	0.31
Sept.		2.34	2.24	0.66	0.02	0.26
Dec.		4.38	2.43	1.69	0.51	0.38
12 Mos. Mar.	12.43	8.52	4.98	1.16	0.89	1.28

Unit shipments in 1949 rose 29%. Greater emphasis on lower-priced models held the sales gain to 23%, but margins widened, and taxable profits were up 39%. A 38% tax charge, down from 41%, brought the advance in net to 44%.

A 28% gain in unit shipments in the 1950 first quarter was held to a 7.6% sales rise by price cuts and increased emphasis on lower-priced cars. However, margins benefitted from larger production and, with the tax charge lower, net increased 33%.

NEAR TERM PROSPECTS**Earnings-Dividend Forecast**

Earnings this year will probably compare satisfactorily with the peak \$11.70 a share reported for 1949. Minimum dividends of \$3 a share, up from \$2.50 in 1949, are looked for.

Production of passenger cars thus far in 1950 has been running well above year-earlier levels, in order to build up stocks for the spring-summer selling season. With demand prospects continuing favorable, heavy schedules are expected over the next few months. Thus, despite a probable later seasonal decline in demand, reduced prices, and greater emphasis on lower-priced models, a gain in full year sales is looked for.

Lower prices and the likelihood of a later reduction in volume point to somewhat narrower margins. However, earnings should be at least well maintained on indicated larger sales.

LONGER TERM OUTLOOK**Principal Profit Factors**

General passenger car demand, which varies widely with changing business trends, is normally the major sales determinant, although special features of new models, price and operating economy are important factors among individual cars.

Important permanent improvement in trade position will be difficult to achieve because of the dominance of the Big Three and the expanded productive capacity of the industry as a whole. However, demand prospects point to the realization of sales and earnings well above the prewar experience for some time ahead.

DIVIDEND DATES

Approximate ex-dividend dates are March 12 (payable March 30) and quarterly. Dividend meetings are usually held late in February and quarterly.

¹Listed N. Y. S. E.; traded Boston, Midwest, Detroit, Phila.-Balt., Pittsburgh, San Francisco, Cincinnati, and Los Angeles S. Es. ²Rate indicated by latest quarterly. d Deficit.

STANDARD LISTED STOCK REPORTS**STANDARD & POOR'S CORPORATION**

Published at Orange, Conn. Editorial & Executive Offices, 345 Hudson St., New York 14, N. Y.

INCOME STATISTICS (Million \$) AND PER SHARE (\$) DATA

Year Ended Dec. 31	Net Sales	% Oper. Inc. of Sales	Oper. Income	Ratio of Sales to Invent.	Deprec.	Income Taxes	² Net Income	Common — ² Earnings	Divs. Pd.	Price Range Common
1950----	473.12	10.4	48.97	12.5-1	3.17	17.22	27.56	11.70	2.50	35¼ - 26
1949----	383.64	9.8	37.69	9.4-1	3.86	13.20	19.11	8.12	1.75	28 - 16½
1948----	263.00	6.4	17.28	8.5-1	1.84	5.88	9.13	3.87	0.50	29¼ - 16½
1947----	141.56	d4.4	d6.24	6.8-1	1.61	cr.9.09	0.95	0.40	0.50	25½ - 16
1946----	212.83	2.5	5.30	15.8-1	1.21	0.32	3.28	1.39	0.50	38½ - 18½
1945----	415.75	5.2	21.81	27.8-1	1.15	14.25	4.04	1.74	0.50	33¼ - 18½
1944----	364.19	5.1	18.69	16.8-1	1.10	12.89	2.84	1.23	0.25	20¼ - 13½
1943----	221.42	4.2	9.39	13.3-1	1.08	5.29	2.05	0.92	Nil	15½ - 5½
1942----	115.70	6.5	7.47	9.9-1	1.04	3.48	2.49	1.12	Nil	6¼ - 3¾
1940----	84.16	4.9	4.15	10.5-1	0.96	0.64	2.12	0.96	Nil	8½ - 3¾
1939----	81.72	6.1	4.96	11.5-1	0.92	0.62	2.92	1.31	Nil	12½ - 5¾
1938----	43.77	d1.0	d0.42	6.7-1	0.85	—	d1.76	d0.80	Nil	10 - 5¼
1937----	70.63	3.2	2.23	8.0-1	0.81	0.09	0.81	0.37	Nil	9½ - 3½

PERTINENT BALANCE SHEET STATISTICS (Million \$)

Dec. 31	Total Assets	Cash Items	Inventories	Receivables	Current Assets	Liabilities	Net Workg. Cap.	Current Assets to Liab.	Cash to Liab.	% Inv. of Cur. Assets	(Book Val. Com. Sh.)
² 1950----	151.7	65.30	36.77	10.48	112.55	51.43	61.12	2.2-1	1.3-1	32.7	38.53
1949----	141.2	54.14	37.98	7.27	102.67	46.48	56.19	2.2-1	1.2-1	37.0	36.19
1948----	129.2	42.08	40.61	7.63	91.92	52.91	39.01	1.7-1	0.8-1	44.2	26.99
1947----	100.7	31.59	31.49	8.97	73.54	38.70	34.83	1.9-1	0.8-1	42.8	20.37
1946----	79.7	15.35	20.86	16.68	53.72	24.61	29.11	2.2-1	0.6-1	38.8	17.25
1945----	64.0	22.63	13.43	9.29	46.22	12.63	33.69	3.7-1	1.8-1	29.2	17.35
1944----	89.4	31.76	14.95	30.45	77.16	50.46	26.70	1.5-1	0.6-1	19.4	16.72
1943----	91.6	26.37	21.72	32.48	80.57	57.92	22.65	1.4-1	0.5-1	27.0	14.57
1942----	70.9	17.53	16.71	23.90	53.14	37.66	20.48	1.5-1	0.5-1	31.4	12.88
1941----	49.9	16.34	11.67	6.61	34.62	17.74	16.88	2.0-1	0.9-1	33.7	11.68

¹After deducting U. S. Treasury tax notes. ²After contingency reserves of \$0.22 a share in 1942 and \$0.65 each in 1943 and 1944; in 1945 after transfer from reserves of \$0.06. ³As of Mar. 31. ⁴\$0.75 on June 30 and \$0.60 on Mar. 31. d Deficit. cr. Credit.

ANALYSIS OF EARNINGS AND BALANCE SHEET DATA

Fundamental Position—Improved

Studebaker Corp. is a leading independent producer of passenger cars.

Completely redesigned postwar models of the low-priced Champion and the more expensive Commander and Land Cruiser are produced, as well as trucks in various models from half-ton to two-ton nominal ratings. Arrangements have been made to use Borg-Warner automatic transmissions on passenger cars.

Principal manufacturing facilities are at South Bend, Ind., where a new plant to concentrate on truck production was purchased in early 1948. There is also an assembly unit at Los Angeles. An expansion and improvement program has lifted capacity to above 350,000 units annually. A new plant in Canada was bought in early 1946, and distributors operate assembly plants in other foreign countries. Empire Steel, bought in 1947 to supplement steel supplies, was sold in late 1949.

The domestic market normally accounts for about nine-tenths of total output.

CAPITALIZATION

Funded Debt: \$9,500,000.

Common Stock: 2,355,460 shares (\$1 par).

Earnings-Dividends—Erratic

After the 1935 reorganization, sales rose through late 1937, followed by a sharp drop and a loss in 1938. Sales recovery thereafter was sharp, with peaks set through 1944 under the war stimulus. However, heavier taxes, along with conversion costs in 1942 and larger reserves in 1943, held down profits. The 1944 gain reflected lower tax rates. Despite reduced sales and reconversion delays, the drop in 1945 net was moderated by reserve and tax credits. The latter more than offset the 1946 operating loss resulting from production problems. Peacetime sales records in 1947-8 and all-time high sales in 1949 brought net to progressive new peaks.

Dividends, initiated in 1943, have been conservative.

Finances—Satisfactory

Large postwar outlays for plants and tooling for new models and requirements for handling record peacetime volumes forced recourse to loans. These were replaced in 1946 by \$15,000,000 of debentures, which have since been reduced by one third. On March 31, 1950, working capital was at record levels, with cash items well above total current liabilities.

Incorporated in Delaware in 1935. Office—South Bend 27, Ind. President—H. S. Vance. Secretary—P. M. Clark. Treasurer—E. E. Richards. Directors—H. S. Vance, (Chrm.), J. G. Blaine, J. F. Cotter, C. F. Glore, A. S. Lehman, M. T. Moore, E. J. Quintal, L. Z. M. Strauss, J. H. Watson, Jr. Transfer Agent—Marine Midland Trust Co., N. Y. C. Registrar—Commercial National Bank & Trust Co., N. Y. C.

NOTE—Information and advice are furnished without representation or responsibility as to accuracy or completeness and without liability for any act or omission in collecting or providing the same.

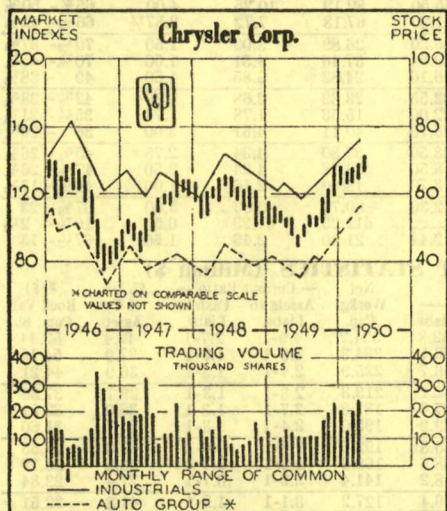
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**Stock—
COMMON**
Approx. Price
69 66

Dividend
\$6.00

Yield
8.7%

RECOMMENDATION: Reasonably priced in relation to projected earnings and with a generous yield available from the current dividend rate, the stock is favorably regarded.


CHARACTERISTICS OF STOCK

The stock is the more volatile of the two leading motor shares, and usually sells on a lower price-earnings ratio than General Motors, because operations are less well diversified. Competitive developments in the trade will be an important market factor.

***COMMON SHARE EARNINGS**

Quarter—	1950	1949	1948	1947	1946	1945
March	d\$0.20	\$2.15	\$1.71	\$2.47	d\$0.10	\$0.93
June		3.97	2.40	1.68	0.56	1.06
Sept.		5.11	2.77	1.35	0.72	0.66
Dec.		3.96	3.37	2.22	1.90	1.65
12 Mos. Mar.	12.84	10.69	6.96	5.65	3.27	3.14

Unit shipments of cars and trucks rose 26% in 1949. Higher prices and a good rate of activity in other divisions brought the sales gain to 33%. Operating margins widened and dividend income from foreign subsidiaries was increased by inclusion of funds applicable to prior years. Thus, despite higher depreciation provisions, net advanced 48%, to a new peak.

With plants closed by a strike on January 25, first quarter 1950 sales fell 52%. Losses were incurred during the strike and no dividends were available from foreign subsidiaries. A moderate deficit after tax carryback credits was reported.

NEAR TERM PROSPECTS
Earnings-Dividend Forecast

Early losses will reduce 1950 earnings below the peak 1949 net of \$15.19 a share. However, profits should recover to an excellent rate, and maintenance of the \$1.50 quarterly rate is looked for.

With stocks of materials and parts built up during the plant shutdown, production was lifted rapidly once a settlement was reached. Moreover new record output is scheduled over coming months, in order to build up depleted dealer stocks and take advantage of the active spring-summer selling season. However, losses during the strike and the likelihood of later seasonal slackening in consumer demand point to a decline in sales for the full year.

Despite higher labor costs, margins on projected production over coming months should be favorable. However, losses during the strike period will cause full year margins to narrow, suggesting a sharper contraction in earnings than in sales.

LONGER TERM OUTLOOK
Principal Profit Factors

Despite intensified competition, the outlook for some time ahead appears favorable. The company's strong position in the industry points to participation in continued heavy demand for lower-priced passenger cars, the introduction of new lines should bolster truck sales, and prospects for most non-automotive divisions are satisfactory. Thus, while below the peak attained in for 1949, earnings should be large.

Over the longer term, demand for motor vehicles, the main profits determinant, will move over a wide cyclical range. Heavy overhead will accentuate earnings changes.

DIVIDEND DATES

Approximate ex-dividend dates are February 11 (payable March 14) and quarterly.

Dividend meeting dates are irregular.

*Listed N. Y. S. E.; also Midwest, Detroit, Los Angeles, Phila.-Balt., San Francisco, Honolulu S. Es. Traded Boston, Cincinnati and Pittsburgh S. Es. *Indicated rate. *Adjusted for 2-for-1 stock split in July, 1947. d Deficit.

**STANDARD LISTED STOCK REPORTS
STANDARD & POOR'S CORPORATION**

Published at Orange, Conn. Editorial & Executive Offices, 345 Hudson St., New York 14, N. Y.

'INCOME STATISTICS (Million \$) AND PER SHARE (\$) DATA

Year Ended Dec. 31	Net Sales	% Oper. Inc. of Sales	Ratio of Sales to Invent.	Deprec. & Amort.	Income Taxes	^a Net Income	^a Common Earnings	^a Common Divs. Pd.	^a Price Range Common
1950									71½ - 62¾
1949	2,084.6	10.8	15.0-1	19.4	81.00	132.17	15.19	5.25	63¼ - 44¾
1948	1,567.9	10.0	11.1-1	15.4	55.50	89.19	10.25	4.00	65¼ - 50¾
1947	1,362.6	9.7	12.2-1	13.6	51.30	67.18	7.72	2.87½	66¾ - 42¾
1946	870.0	6.2	8.2-1	21.0	6.20	26.89	3.09	1.50	70¼ - 37¾
1945	994.5	6.7	13.7-1	9.5	19.64	37.46	4.31	1.50	70¾ - 45¾
1944	1,098.1	8.8	14.2-1	10.3	46.16	24.82	2.85	1.50	49 - 38¾
1943	886.4	9.0	10.6-1	8.7	32.55	23.32	2.68	1.50	42¾ - 33¾
1942	623.7	9.8	8.8-1	12.5	22.00	15.53	1.78	1.75	35½ - 21¾
1941	888.4	10.7	11.4-1	25.1	28.70	40.11	4.61	3.00	36 - 20¾
1940	744.6	11.0	12.6-1	20.6	23.50	37.80	4.34	2.75	45¾ - 26¾
1939	549.8	11.9	10.0-1	18.4	8.50	36.88	4.24	2.50	47¾ - 26¾
1938	413.3	8.4	8.9-1	13.9	3.70	18.80	2.16	1.00	44¼ - 17¾
1937	769.8	9.8	15.4-1	15.6	12.30	50.73	5.83	5.00	67¾ - 23
1932	136.5	2.3	7.4-1	13.2	---	d11.25	d1.29	0.50	107 - 13
1929	375.0	11.9	9.8-1	20.4	2.44	21.90	2.46	1.50	67½ - 13

'PERTINENT BALANCE SHEET STATISTICS (Million \$)

Dec. 31	Total Assets	Cash Items	Inven- tories	Receiv- ables	Current Assets	Current Liabs.	Net Workg. Cap.	Current Ratio Assets to Liabs.	Cash to Liabs.	% Inv. of Cur. Assets	Book Val. Com. Sh.
*1950	539.3	227.2	172.5	7.4	407.1	82.8	324.2	4.9-1	2.7-1	42.4	52.44
1949	637.3	322.9	139.4	38.0	500.3	166.1	334.3	3.0-1	1.9-1	27.9	54.15
1948	541.4	202.3	141.3	39.0	382.6	156.7	225.9	2.4-1	1.3-1	36.9	44.21
1947	487.2	216.2	111.6	47.6	375.4	162.1	213.3	2.3-1	1.3-1	29.7	37.36
1946	390.5	139.6	106.3	48.9	294.9	107.6	187.3	2.7-1	1.3-1	36.0	32.61
1945	414.2	174.8	72.5	87.0	334.2	139.2	195.0	2.4-1	1.3-1	21.7	31.60
1944	509.5	154.3	77.5	216.8	448.6	255.8	192.8	1.8-1	0.6-1	17.3	28.55
1943	418.5	131.8	84.0	141.3	357.2	188.3	168.3	1.9-1	0.7-1	23.5	25.79
1942	323.8	87.5	71.2	100.9	259.6	118.2	141.4	2.2-1	0.7-1	27.4	22.84
1941	355.3	69.8	78.0	38.9	186.7	59.4	127.2	3.1-1	1.2-1	41.8	22.61
1940	267.6	117.1	59.2	18.1	194.4	78.8	115.6	2.5-1	1.5-1	30.5	21.69
1939	223.5	75.1	54.9	15.4	145.5	50.7	94.8	2.9-1	1.5-1	37.7	10.74

*Includes wholly owned U. S. subsidiaries only in 1940 and subsequent years. ^aAdjusted for 2-for-1 stock split effected in 1947. ^aAfter special reserves net of \$0.17 a share in 1942, \$1.37 in 1943 and \$1.19 in 1944; after transfer from reserves, offset by reconversion costs, of \$0.89 a share in 1945 and \$0.21 in 1946. ^aAfter deducting U. S. Treasury tax notes, \$51.50 each on June 12 and Mar. 13. ^aAs of Mar. 31. ^dDeficit.

ANALYSIS OF EARNINGS AND BALANCE SHEET DATA**Fundamental Position—Outstanding**

Chrysler Corp. is the second largest producer of motor vehicles. Its four passenger car models, ranging from the low-priced Plymouth to the more expensive Dodge, DeSoto and Chrysler series, accounted for around 25% of the industry's prewar sales.

Important supplemental revenues are derived from a broad line of Dodge commercial vehicles; six-wheel drive models and door-to-door delivery trucks were introduced in 1948, and four-ton units in 1950. Manufacture of numerous parts and accessories makes for a measure of integration, while the Airtemp Division produces air conditioning, commercial refrigeration, and heating equipment.

Including assembly units, 27 domestic plants are operated, of which 19 are in the Detroit area. Distribution is world-wide through distributor-operated assembly plants in Europe, Mexico, South America and other parts of the world.

Export sales, including Canadian, averaged about 10% of prewar output. Investments in wholly-owned Canadian, British and Belgium subsidiaries were carried at cost of \$2,358,685 on March 31, 1950.

Earnings-Dividends—Favorable

Sales and profits in 1935-6 were far above any previous levels. The 1937 profits decline reflected labor strife and higher costs; that in 1938, lower demand. Recovery thereafter was limited by a strike in 1939 and heavier taxes in 1940-1. Conversion delays and reserves cut 1942 net sharply. Improvement in 1943-5 was limited by narrower margins and higher taxes. The 1945 gain, despite lower sales and reconversion costs, reflected reserve and tax credits, which also aided 1946 net. Successive new sales peaks were accompanied by new highs in profits in 1947, 1948 and 1949.

Dividends have been paid in each year since 1926.

Finances—Strong

While strike losses and larger inventories cut cash holdings on March 31, 1950, below the 1949 year-end, the position was still strong. A \$100,000,000 credit is available. Stock was split 2-for-1 in 1947, and par value lifted to \$25 in 1948.

CAPITALIZATION

Funded Debt: None.

Common Stock: 8,702,264 shs. (\$25 par).

Incorporated in Delaware in 1925. Offices—341 Massachusetts Ave., Detroit 31. President—K. T. Keller. Secretary—R. P. Fohey. Treasurer—H. A. Davies. Directors—J. C. Brady, C. Breer, W. Catchings, W. P. Chrysler, Jr., L. L. Colbert, G. W. Davison, J. M. Dodge, J. E. Fields, B. C. Foy, J. A. Hartford, B. E. Hutchinson, W. A. Jones, K. T. Keller, N. Kelley, T. E. Murray, O. R. Skelton, H. E. Talbott, J. T. Trippe, A. Vander Zee, H. L. Wecker, F. M. Zeder. Transfer Agent—Central Hanover Bank & Trust Co., N. Y. C. Registrar—Chase National Bank, N. Y. C.

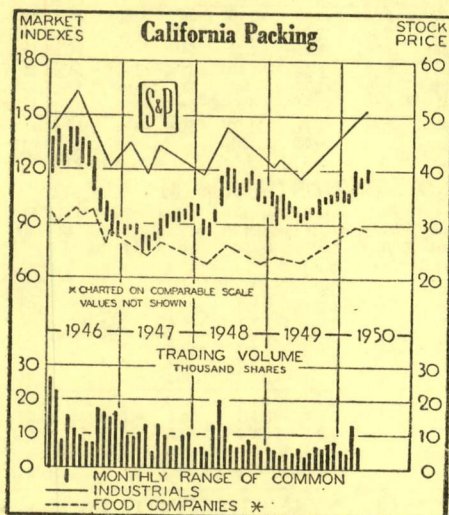
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Stock—	
COMMON	-----
\$2.50 PREFERRED	-----

Approx. Price	Dividend	Yield
40½ 39	² \$3.50	8.6%
54¼	2.50	4.6

RECOMMENDATION: The COMMON stock appears moderately priced in relation to prospective medium-term earnings and dividends and, in view of the company's strong position in the field, the shares may be held. The PREFERRED lacks appeal when selling at a premium over the \$50 call price.



CHARACTERISTICS OF STOCK

The common stock is speculative and fluctuates in a fairly wide range, primarily in response to changes in canned food prices. Prior capitalization and large sales per share provide leverage.

RECENT TRENDS

The volume of shipments expanded 16% over a year before in the fiscal year ended February 28, 1950, but lower selling prices held the gain in sales to 3.3%. Profit margins narrowed as a result of the drop in prices, heavier transportation costs, reduced returns on farming operations and a loss on canned fish operations; operating income fell 29%. Heavier depreciation and other non-operating charges widened the recession in taxable net to 36%, but a lower tax rate held the drop in final profits to 27%.

Sales have held above a year ago thus far in the 1950-51 fiscal year.

NEAR TERM PROSPECTS

Earnings-Dividend Forecast

In the fiscal year ended February 28, 1950, earnings receded to \$7.15 a common share, from \$9.80 in the preceding year. Profits are expected to hold up fairly well over coming months, and at least the \$0.62½ quarterly dividend should be continued.

Demand for the company's quality canned foods should remain strong. Sales may recede from now on, however, since expanded capacity will no longer be a factor in year-to-year volumes comparisons, and selling prices on most lines have declined.

Wage and transportation costs undoubtedly will remain heavy, but somewhat lower packaging costs are possible, and overall spreads between selling prices and raw material costs should remain satisfactory. Hence, profit margins should hold up fairly well. While inventory turnover is not particularly rapid, the company is protected to some extent from write-downs by use of last-in first-out inventory valuation.

Thus, any recession in operating income and final net should be moderate.

LONGER TERM OUTLOOK

Principal Profit Factors

Demand is relatively stable, but variations in size of packs, caused partly by weather conditions, are reflected in wide changes in earnings.

Large packs frequently demoralize prices, bringing inventory losses, but benefits from price advances incident to short crops often are minimized by declines in sales and advance buying by customers.

DIVIDEND DATES

Approximate **ex-dividend** dates are April 28 (payable May 15) and quarterly.

Dividend **meeting** dates are irregular.

¹Listed N. Y. S. E. and San Fran. and Los Angeles S. Es.; com. also traded Phila.-Balt. S. E. ²Indicated rate, including \$1 extra thus far in 1950-1.

STANDARD LISTED STOCK REPORTS

STANDARD & POOR'S CORPORATION

Published at Orange, Conn. Editorial & Executive Offices, 345 Hudson St., New York 14, N. Y.

INCOME STATISTICS (Million \$) AND PER SHARE (\$) DATA

Year Ended Feb. 28	Net Sales	% Oper. Inc. of Sales	Ratio of Sales to Invnt.	% Earn. on Inv.	Cap.	Deprec.	Income Taxes	Net Income	*Earnings	—\$2 50 Pfd.—		—Common—		*Price Range	
										Divs. Paid	*Earnings	Divs. Paid	*Earnings	\$2.50 Pfd.	Common
1950.....										\$0.62½		\$1.62½		55 - 53	40½ - 34½
1949.....	174.9	8.0	3.3-1	----	4.01	3.11	7.05	117.49	2.50	7.15	2.50	58 - 52	36½ - 30		
1948.....	169.2	11.6	3.4-1	----	3.46	6.10	9.61	160.24	2.50	9.80	3.00	54½ - 52	40½ - 27½		
1947.....	158.9	11.5	4.4-1	16.7	2.15	6.20	13.02	216.99	2.50	13.33	1.85	55 - 51½	34½ - 24½		
1946.....	151.4	10.3	5.1-1	13.4	1.70	5.35	9.28	154.69	2.50	9.46	1.50	58 - 53	47½ - 27½		
1945.....	111.8	4.7	4.0-1	5.1	1.40	1.40	2.74	45.72	2.50	2.69	1.50	56 - 52½	43 - 27½		
1944.....	111.1	8.4	3.9-1	5.3	1.32	5.47	3.14	62.33	2.50	3.10	1.50	57 - 53½	30½ - 24½		
1943.....	99.5	8.7	3.5-1	6.2	1.24	4.57	3.78	63.07	2.50	3.76	1.50	56 - 52½	30½ - 22½		
1942.....	91.4	8.2	3.8-1	5.1	1.27	3.57	2.76	45.99	2.50	2.70	1.50	53½ - 50½	22½ - 16½		
1941.....	80.9	9.1	3.5-1	8.9	1.19	1.97	4.89	81.57	2.50	4.91	1.25	54½ - 51	24½ - 15½		
1940.....	62.0	8.0	3.1-1	5.5	1.25	1.07	2.69	44.90	2.50	2.64	1.00	52½ - 50½	26½ - 14		
1939.....	59.4	8.6	3.0-1	6.9	1.18	6.64	3.30	54.93	2.50	3.26	Nil	51 - 48½	30 - 13½		
1938.....	52.7	d1.0	2.3-1	d4.7	1.12	-----	d2.53	d42.51	2.50	d2.83	0.87½	53 - 45	24½ - 15½		
1937.....	61.2	7.0	2.3-1	6.1	1.13	0.33	2.90	47.34	2.50	2.87	*1.50	52½ - 49½	48½ - 18½		
1932.....	43.5	d2.4	3.3-1	d8.5	1.71	-----	d4.52	-----	-----	d4.86	Nil	-----	19 - 4½		
1929.....	83.5	-----	4.9-1	11.5	6	-----	6.02	-----	-----	6.16	4.00	-----	84½ - 63½		

PERTINENT BALANCE SHEET STATISTICS (Million \$)

Feb. 28	Total Assets	Cash Items	Inven- tories	Receiv- ables	—Current—		Net Working Capital	—Current Ratio—		Total Invst.	Total Capital	(\$) Book Val Com. Sh
					Assets	Liabs.		Assets to Liabs.	Cash to Liabs.			
1949.....	135.2	10.26	52.73	15.03	82.59	12.23	70.36	6.8-1	0.8-1	63.8	-----	84.58
1948.....	127.0	4.60	50.10	17.42	76.44	40.94	35.50	1.9-1	0.1-1	65.5	-----	80.23
1947.....	102.7	3.64	36.33	10.34	55.00	25.22	29.78	2.2-1	0.1-1	66.1	77.5	73.05
1946.....	81.6	3.79	29.43	5.21	38.43	13.41	25.02	2.9-1	1.0-1	76.6	68.2	62.91
1945.....	79.9	8.27	27.60	3.23	44.10	18.99	25.11	2.3-1	0.4-1	62.6	60.9	54.83
1944.....	85.4	7.96	28.14	14.87	50.97	25.01	25.97	2.0-1	0.3-1	55.2	60.4	53.76
1943.....	75.9	6.32	28.34	8.26	42.32	16.44	26.48	2.6-1	0.4-1	66.0	59.5	52.81
1942.....	65.0	4.35	24.22	4.90	33.47	7.06	26.42	4.7-1	0.6-1	72.4	57.9	50.18
1941.....	62.0	4.79	23.40	3.27	31.46	5.17	26.29	6.1-1	0.9-1	74.4	56.8	48.52
1940.....	58.5	2.88	19.85	7.22	29.94	7.47	22.47	4.0-1	0.4-1	66.3	51.0	45.62

¹Of following calendar year. ²Before profit and loss adjustments. ³Plus 1/200 share of preferred. ⁴Calendar years.
⁵Not reported. ⁶Restated. ⁷One regular quarterly. ⁸\$1.00 extra on June 2, and \$0.62½ regular on May 15. ⁹Deficit.

ANALYSIS OF EARNINGS AND BALANCE SHEET DATA

Fundamental Position—Strong

California Packing is the largest packer of fruits and vegetables in the world. Other output, also sold under the widely advertised Del Monte name, includes coffee, salmon and sardines, tomato sauce, catsup and chili sauce, pickles and dried fruit.

Peaches and pineapples are the most important products packed, although a wide variety of other fruits and vegetables is processed. Salmon, third in importance, is handled by the Alaska Packers Association, a 92% owned subsidiary. Exports normally are fairly substantial.

Numerous canning and packing plants and fairly substantial farm acreage are owned. Properties are largely in California, although plants are also owned in the Northwest, Alaska, the Middle West, Florida, New York, New Jersey, Hawaii and the Philippines.

The company grows all its pineapple, some California fruits and vegetables and part of Illinois and Washington vegetables.

Labor costs absorbed 26% of 1949-50 sales; profits amounted to 4.3%. Capital expenditures totaled \$6,802,553.

Earnings-Dividends—Erratic

Chiefly reflecting changes in product price levels, net has fluctuated widely.

Higher taxes were primarily responsible for the 1942-3 decline; the partial recovery in 1943-4 reflected increased profits on salmon. Reduced profit margins and in 1944-5, heavier taxes cut earnings in the following two years.

A larger pack and wider margins tripled net in 1946-7 and permitted further gains in 1947-8. Consolidation of Alaska Packers' results lifted sales in 1948-9; selling price cuts lowered net in 1948-9 and 1949-50.

In the ten years through 1949-50, dividends totaled 29% of available net.

Finances—Adequate

A \$35,000,000 note was placed privately in late 1949 to provide funds for replacement of working capital and for plant expansion and modernization. As a result, cash and working funds were up sharply on February 28, 1950, and appeared adequate.

CAPITALIZATION

Long Term Debt: \$36,833,333.

5% Cum. Preferred Stock: 59,989 shares (\$50 par); redeemable at \$50.

Common Stock: 965,073 shares (no par).

Incorporated in New York in 1916. Office—101 California St., San Francisco 19. President—R. L. Pratt. Secretary—N. A. Hollister. Treasurer—W. H. Carr. Directors—R. M. Barthold, R. Brown, W. H. Carr, C. Coldwell, W. Fries, A. G. Griffin, C. W. Griffin, Jr., W. C. Griffin, L. W. Jongeneel, I. S. Lillick, N. B. Livermore, I. H. Granicher, R. G. Luckas, M. P. Madison, C. K. McIntosh, H. D. Nichols, S. Powell, R. L. Pratt, R. E. Sanborn, G. R. Ward, L. E. Wood, R. B. Yerby, Jr. Transfer Agents—The Bank of California, N. A., San Francisco; Guaranty Trust Co., N. Y. C. Registrars—American Trust Co., San Francisco; Central Hanover Bank & Trust Co., N. Y. C.

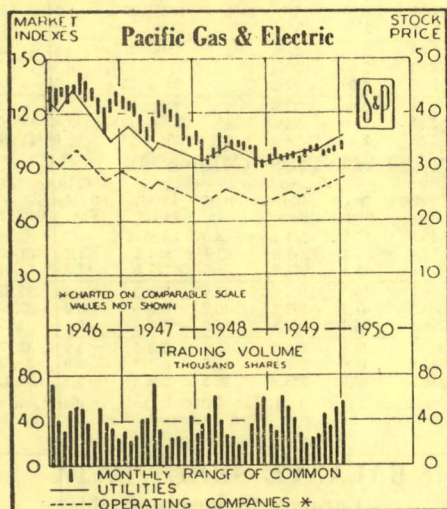
NOTE—Information and advice are furnished without representation or responsibility as to accuracy or completeness and without liability for any act or omission in collecting or providing the same.

Printed in U. S. A.

Stock—	
COMMON	-----
\$1.37½ PREFERRED	-----
\$1.50 PREFERRED	-----

Approx. Price	Dividend	Yield
33 7/8	\$2.00	6.1%
33	1.37½	4.2
36½	1.50	4.1

RECOMMENDATION: The current dividend on the COMMON stock appears secure, and the issue should be held for income purposes. The returns from the high grade PREFERREDs are satisfactory.



NEAR TERM PROSPECTS

Earnings-Dividend Forecast

Earnings for 1949 probably approximated \$2.10 a common share, compared with \$2.43 on a smaller number in 1948. Profits should be well maintained over the medium term at least, and continuance of the \$0.50 quarterly dividend is indicated.

With industrial sales holding up well through demand of new industries, domestic load growing, gas rates \$4,000,000 larger on an annual basis and over-all sales rising, gross should gain moderately.

The higher gross, possible annual increases of \$8,900,000 in electric rates and economy of the new equipment should at least maintain profit margins, especially under good hydro conditions, although charges on construction securities may moderate the gain in net.

CHARACTERISTICS OF STOCK

Inasmuch as earning power, helped by territorial growth, appears headed toward higher levels, the position of the common is favorable. All preferreds are sound.

COMMON SHARE EARNINGS

12 Mos.—	1949	1948	1947	1946	1945	1944
March	\$2.16	\$2.29	\$2.57	\$2.60	\$2.17	\$2.29
June	1.99	2.26	2.32	2.67	2.13	2.37
Sept.	2.10	2.36	2.38	2.71	2.17	2.33
Dec.		2.43	2.45	2.72	2.16	2.18

Reflecting increasing demand for electricity and gas, gross rose 9.5% in the 12 months through September, 1949. Already rising costs were increased by a deficient water supply, occasioning the use of more expensive steam plants and the purchase of outside power, but operating income gained 9.2%. After higher fixed charges and other deductions, net income was up only 4.6%. The drop in common share earnings reflected the larger number outstanding.

¹Listed San Fran., and Los Ang. S. Es.; com. also listed N. Y. S. E. and Honolulu S. E., and traded Phila.-Balt., London and Boston S. Es. Pfd.s. Also traded N. Y. Curb. 6½% and 6% Pfd.s. traded London S. E. 6% Pfd. also listed Honolulu S. E.

LONGER TERM OUTLOOK

Principal Profit Factors

Subject to the fluctuations caused by changing water conditions, territorial development indicates an ultimate uptrend in sales and profits for some years.

To meet the expansion, Pacific will spend \$300,000,000 in 1950-51 in adding about 826,000 kw., as well as gas and other facilities. By 1951, 46% of capacity will be hydro, against 57% at November 30, 1949; the increase in steam facilities will help in times of low water. A considerable rise in net eventually should result from the new properties and the enlarged rate base.

DIVIDEND DATES

Approximate ex-dividend dates are: Pfd.s., Jan. 28 (payable Feb. 15); com., Dec. 29 (payable Jan. 15), both quarterly.

Dividend meetings are held: Pfd., around the middle of Jan.; Com., around the middle of Dec.; both quarterly.

STANDARD LISTED STOCK REPORTS

STANDARD & POOR'S CORPORATION

Published at Orange, Conn. Editorial & Executive Offices, 345 Hudson St., New York 14, N. Y.

INCOME STATISTICS (Million \$) AND PER SHARE (\$) DATA

Year Ended Dec. 31	Gross Revs.	*Oper. Ratio	Taxes % of Gross Revs.	Fix. Chgs. & Pfd. Divs. Earn.	Net Inc.	*Pfd. Earnings	Common—Earnings	Divs. Paid	\$1.50 Preferred	Price Range \$1.37½ Preferred	Common
1950..	---	---	---	---	---	---	---	---	\$0.50	---	---
1949..	---	---	---	---	---	---	---	---	2.00	36½- 32¼	34- 30½
1948..	204.2	81.5	17.7	1.96	27.3	4.03	2.43	2.00	26- 32½	32¾- 29	36½- 29¾
*1947..	184.3	80.0	18.6	2.03	25.3	4.37	2.45	2.00	36- 32½	32¾- 29	36½- 29¾
1946..	167.9	79.2	21.4	1.95	25.4	4.40	2.72	2.00	46¼- 38¾	41½- 36½	47¼- 38½
1945..	160.3	79.3	30.5	1.69	22.0	3.79	2.16	2.00	44- 38	39- 36	46- 34½
1944..	151.8	77.5	29.2	1.66	22.0	3.81	2.18	2.00	38½- 35	36½- 32½	35½- 30
1943..	138.6	76.4	25.9	1.74	22.3	3.87	2.23	2.00	36¾- 31	33¼- 28¾	31½- 23½
1942..	126.8	73.7	22.1	1.71	22.3	3.86	2.21	2.00	31- 24¾	27¾- 22¾	24½- 15½
1941..	115.4	70.3	21.1	1.73	22.5	3.90	2.31	2.00	34½- 29	31¾- 26½	28¾- 17¼
1940..	110.0	67.2	19.0	1.87	21.7	4.59	2.68	2.00	34¾- 28¾	31¾- 25¾	34¾- 25¾
1939..	107.2	61.5	15.7	1.89	25.7	4.78	2.84	2.00	35¼- 29	31½- 26¾	34¾- 27¾
1938..	101.4	65.1	15.6	1.78	23.2	4.32	2.48	2.00	32¼- 27	29- 25½	30- 22¾
1937..	100.4	63.5	14.9	1.85	24.7	4.71	2.71	2.00	32¾- 27¾	29¼- 25¾	38- 22
1932..	85.1	56.9	10.6	1.55	20.1	3.86	2.09	2.00	26¾- 19¾	24½- 17½	37- 16¾
1929..	64.4	60.1	10.8	1.72	15.7	1.87	2.85	2.00	28- 24¾	25- 21	98¼- 42

PERTINENT BALANCE SHEET STATISTICS (Million \$)

—Deprec. Res.—													% Earnings	Net Workg. Cap.		Funded Debt		—% Funded Debt of—			Total Invest.	% Earnings	(\$ Bk. Val. Com. Sh.)	
Dec. 31	Gross Prop.	Total	% Gross Prop.	on Net Prop.	Cash Items			Net Prop.	Gross Reva.	Invest. Cap.			Invest. Cap.	on Inv. Cap.										
*1949..	1,277.4	287.3	22.5	3.8	46.3	22.7	546.8	55.2	251.1	53.3	1,025.8	3.7	31.46											
1948..	1,121.7	269.3	24.0	4.4	35.7	27.0	471.5	55.3	230.8	52.7	894.5	4.2	31.90											
1947..	974.9	254.2	26.1	75.1	50.8	42.0	399.9	55.5	217.0	51.5	777.0	74.7	32.07											
1946..	878.7	232.5	26.5	65.4	32.7	14.3	328.7	50.9	195.8	47.7	689.5	5.1	32.57											
1945..	851.4	204.6	24.0	5.1	24.4	2.0	308.5	47.7	192.5	46.2	668.1	5.0	32.30											
1944..	833.4	182.5	21.9	5.3	20.7	41.3	299.8	46.1	197.5	44.9	606.9	5.1	32.27											
1943..	817.1	165.7	20.3	5.0	20.2	d2.6	303.7	46.6	219.2	45.4	668.5	4.9	32.77											
1942..	795.2	159.7	18.9	5.2	19.1	4.0	306.9	47.6	242.0	45.7	671.1	5.0	32.53											
1941..	766.1	136.4	17.8	5.4	33.1	20.7	310.3	49.3	205.9	46.5	666.8	5.1	32.31											

*San Francisco Stock Exchange. *After depreciation. *On combined preferred stocks; dividends paid regularly on all classes. *Excluding charges in lieu of taxes. *Before deducting charges in lieu of taxes. *Revised. *On Jan. 16. *As of Oct. 31. d Deficit.

ANALYSIS OF EARNINGS AND BALANCE SHEET DATA

Fundamental Position—Sound

Pacific Gas & Electric, one of the largest operating utilities in the country, derives about 60% of its revenues from electric service and the remainder chiefly from natural gas. The diversified intrastate territory is in San Francisco and vicinity, and in central and northern California. Population of the area is estimated at 4,900,000.

Most natural gas comes from California. Beginning in 1948, part has been obtained from New Mexico and Texas. The company also has a contract with El Paso Natural Gas providing N. Mex., Tex., Col. and Utah gas for 25 years from the first delivery. Amounts rise to a possible 500,000,000 cu. ft. a day by mid-1956.

Provision for depreciation and maintenance is over 16% of gross, a good ratio considering that 57% of electric capacity was hydro at November 30, 1949. Average domestic use of 1,626 kwh. in 1948 was above, and rate of 2.54¢ a kwh. below the national mean. Domestic sales provided 29% of electric gross in 1948, industrial 25%, commercial 23%, agricultural 13% and miscellaneous sources the rest. Pacific furnishes electricity to over 90% of its farms.

Earnings-Dividends—Stable

After 1933, gross made a new high annually through 1948. Previous high for net in 1939 was surpassed in 1948, largely because of larger volume. Common dividends, paid each year since 1918 are liberal.

Finances—Satisfactory

Pacific sold 1,500,000 shares \$1.20 preferred in January, 1950; common would be offered common stockholders later. In 1949, \$80,000,000 bonds, and 1,500,000 preferred and 740,401 common shares (right's) were sold.

CAPITALIZATION

Funded Debt: \$546,722,500.

\$1.50 Cum. 1st Pfd. Stk.: 4,211,662 shares (\$25 par); non-redeemable.

\$1.37½ Cum. 1st Pfd. Stk.: 1,173,163 shares (\$25 par); non-redeemable.

\$1.25 Cum. 1st Pfd. Stk.: 400,000 shares (\$25 par); non-redeemable.

\$1.25 Cum. 1st Pfd. Stk.: 1,000,000 shs. (\$25 par); red. at \$28.25 through July 31, 1953; then less.

\$1.25 Cum. 1st Pfd., Ser. A: 1,500,000 shs. (\$25 par); red. at \$28.25 through July 31, 1953; then less.

\$1.20 Cum. 1st Pfd. Stk.: 1,500,000 shs. (\$25 par); red. at \$28.75 through Jan. 31, 1955; then less.

Common Stock: 8,280,780 shs. (\$25 par).

Incorporated in California in 1905. Office—245 Market St. San Francisco 6. President—J. B. Black. Secretary—R. Kindig. Treasurer—E. J. Beckett. Directors—J. B. Black, F. E. Buck, A. L. Chickering, J. P. Coghlan, W. W. Crocker, W. G. B. Euler, W. A. Haas, N. B. Livermore, J. K. Lohead, C. K. McIntosh, C. O. G. Miller, H. D. Nichols, C. R. Page, S. H. Palmer, W. H. Sullivan. Transfer Agents—Company's office; Bankers Trust Co., N. Y. C. Registrars—American Trust Co., San Francisco; New York Trust Co., N. Y. C.

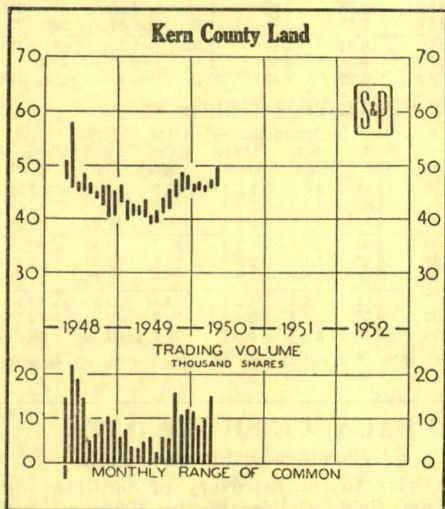
Stock—
CAPITAL -----

Approx. Price
49¼ 57

Dividend
\$4.50

Yield
9.1%

RECOMMENDATION: Additional development work has increased crude oil potentials from company properties, and earnings prospects are satisfactory. The strong financial position makes for a liberal dividend policy, and retention of the stock is warranted at current prices.



CHARACTERISTICS OF STOCK

Reflecting the relative stability of profits, the issue normally sells at a high price-earnings ratio. The longer-term trend will be influenced mainly by crude oil production and prices. Short-term fluctuations are narrow as a rule.

RECENT TRENDS

Reflecting largely absence of the 1948 oil field strike and good demand, revenues from oil operations increased in 1949, and gross operating income advanced 15%. Operating costs increased somewhat, however, holding the gain in operating income to 10%. Other income and charges were relatively unchanged and taxable earnings and final profits increased a like amount.

Oil output probably has continued at a satisfactory level thus far this year.

NEAR TERM PROSPECTS

Earnings-Dividend Forecast

Earnings this year are expected to show little change from the \$6.23 a share reported for 1949. The \$0.75 quarterly dividend may again be supplemented by extras to bring payments up to the \$4.50 paid in 1949.

Demand for the company's good gravity oil is expected to continue at a good level for some time and output should be relatively well maintained this year. During 1949, 47 new oil producers were drilled on company land together with one gas well. Six wells were abandoned. Output from these wells should at least offset natural decline from older producers and revenues from oil operations should be maintained. The cattle division has been strengthened considerably.

Profits from oil operations are expected to continue good. The trend of earnings from cattle and crop activities, while less important, also affect total profits.

LONGER TERM OUTLOOK

Principal Profit Factors

While an extensive part of the company's lands are devoted to raising cattle and crops, oil royalties comprise the major part of revenues. With demand for high gravity crude oil expected to continue at a high level for an extended period, leasing opportunities for additional company acreage appear good.

DIVIDEND DATES

Approximate ex-dividend dates are February 12 (payable Mar. 5) and quarterly.

Dividend meetings are held early in February and quarterly.

¹Listed N. Y. S. E. and San Francisco S. E. ²Indicated rate, including \$1.50 in extras in 1949.

STANDARD LISTED STOCK REPORTS

STANDARD & POOR'S CORPORATION

Published at Orange, Conn. Editorial and Executive Offices, 345 Hudson St., New York 14, N. Y.

INCOME STATISTICS (Million \$) AND PER SHARE (\$) DATA

Year Ended Dec. 31	Total Oper. Rers.	% Oper. Income	% Oper. Inc. of Op. Rers.	% Earn. on Inv. Cap.	Income Taxes	*Net Income	Capital Stock—Earnings	Divs. Pd.	Range
1950							41.75		49½- 45½
1949	22.73	78.4	17.82	---	4.75	12.46	6.23	4.50	48½- 39
1948	19.85	80.6	15.99	---	4.29	11.29	5.65	4.00	51 - 40½
1947	16.62	13.37	80.4	33.3	3.89	9.47	4.73	3.25	48½- 38
1946	12.21	8.89	72.8	25.9	2.58	6.66	3.33	2.50	46¾ 36
1945	11.88	8.13	68.5	17.2	4.23	4.11	2.05	1.75	39 - 30½
1944	10.50	7.31	69.6	16.6	3.63	3.78	1.89	1.75	33¾- 30¾
1943	10.53	7.81	74.2	17.8	3.92	3.97	1.98	1.75	30 - 24½
1942	8.21	5.41	65.9	13.5	2.53	2.97	1.48	1.25	24 - 19½
1941	8.46	5.91	69.8	17.0	2.32	3.71	1.85	1.25	26¾- 20½
1940	5.73	3.89	68.0	15.3	0.84	3.11	1.56	1.00	23 - 18½
1939	4.43	2.63	59.4	12.1	0.34	2.36	1.18	0.80	*25½- 19½
1938	3.61	1.73	47.8	8.6	0.22	1.59	*0.79	*0.60	*22½- 16½

PERTINENT BALANCE SHEET STATISTICS (Million \$)

Dec. 31	Total Assets	Cash Items	Inventories	Receivables	Current Assets	Current Liab.	Net Workg. Assets	Current Ratio—Assets to Liab.	% Inv. of Cur. Assets	Total Invest. Cap.	Book Val. Cap. Sh.
1949	40.40	13.45	5.00	2.14	20.60	5.76	14.84	3.6-1	2.3-1	24.3	17.32
1948	36.68	15.03	4.45	1.69	21.17	5.50	15.67	3.8-1	2.7-1	21.0	15.59
1947	32.63	13.78	3.83	1.72	19.33	4.72	14.61	4.1-1	2.9-1	19.8	13.93
1946	28.17	10.59	3.63	1.13	15.35	3.30	12.05	4.7-1	3.2-1	23.7	12.40
1945	28.02	10.71	3.39	0.99	15.09	4.81	10.28	3.1-1	2.2-1	22.5	11.57
1944	27.30	8.47	3.58	0.97	13.01	4.60	8.41	2.8-1	1.8-1	27.5	11.31
1943	27.18	9.29	3.29	0.70	13.28	4.77	8.51	2.8-1	1.9-1	24.8	11.15
1942	25.27	7.71	3.06	0.82	11.59	3.22	8.36	3.6-1	2.4-1	26.4	10.95
1941	24.41	7.50	2.84	0.72	11.06	2.90	8.16	3.8-1	2.6-1	25.7	10.67

¹After depreciation. ²Adjusted for 20-for-1 stock split in Jan., 1939. ³Company makes no deduction for oil depletion. ⁴\$0.75 regular on June 5 and Mar. 6 and \$0.25 extra on June 5.

ANALYSIS OF EARNINGS AND BALANCE SHEET DATA

Fundamental Position—Limited

The company owns 1,403,000 acres of land in California, Oregon, New Mexico and Arizona, the greater part of which consists of grazing and pasture lands. Subsidiary companies operate several ranches with a total cattle population at the end of 1949 of about 54,000 head. About 22,000 acres of land are farmed for cattle feed purposes. About 24,000 acres is leased to 85 farmers for other crops, mostly on a crop sharing basis.

By far the most important part of the company's gross comes from oil royalties derived from lands leased for exploration, development and production, mainly in Kern County, California. At the end of 1948, there were 762 producing oil wells on the company's land. During 1949, 48 new producers were completed, the same as in 1948. At the end of the year there were four exploratory leases in effect, covering 3,516 acres. Three others embracing 2,020 acres were negotiated by April, 1950. Leases require prompt exploratory work and call for 20% to 25% royalties or a profit sharing arrangement.

In 1949, gross production from the company's properties totaled 20,110,413 barrels, with the company's royalty 4,909,611 barrels against 4,662,562 in 1948. Oil royalties accounted for 76% of 1949 gross.

Earnings-Dividends—Stable

Prior to the discovery of the Ten Sections field, California, in 1936, oil royalties were small.

Subsequent discovery of seven other fields resulted in consistent earnings growth in 1937 and later. The rising trend in gross revenues was carried through mainly to profits, although heavy taxes restricted earnings during the war years. A series of sharp advances in crude prices, starting in 1946, raised both gross and net sharply in 1946 through 1948, although production was off moderately in the latter year. Increased output lifted 1949 profits.

Uninterrupted since 1934, dividends have been consistently liberal.

Finances—Ample

The financial position has improved considerably in recent years, reflecting the retention of earnings moderately in excess of liberal dividends. In 1947, the company began investing a part of oil division profits in diversified securities. Government obligations and corporate common stocks, included in current assets, had a market value of \$11,252,200 at the 1949 year-end and were carried at 10,926,849.

CAPITALIZATION

Funded Debt: None.

Capital Stock: 2,000,000 shares (\$5 par)

Incorporated in California in 1890. Office—300 Montgomery Street, San Francisco 4. President—J. T. Piggott. Secretary-Treasurer—N. S. Angell. Directors—H. S. Allen, P. Cook, Jr., A. C. Greene, A. A. Gulick, L. L. Haggin, 2nd, J. B. Fernor-Hesketh, W. D. Kleinpell, J. W. Mailliard, Jr., C. R. Palge, P. Palne, J. T. Piggott, J. M. Preston. Transfer Agents—American Trust Co., San Francisco; J. P. Morgan & Co., Inc., N. Y. C. Registrars—Bank of America National Trust & Savings Ass'n., San Francisco; Bankers Trust Co., N. Y. C.

NOTE—Information and advice are furnished without representation or responsibility as to accuracy or completeness and without liability for any act or omission in collecting or providing the same.

Printed in U. S. A.

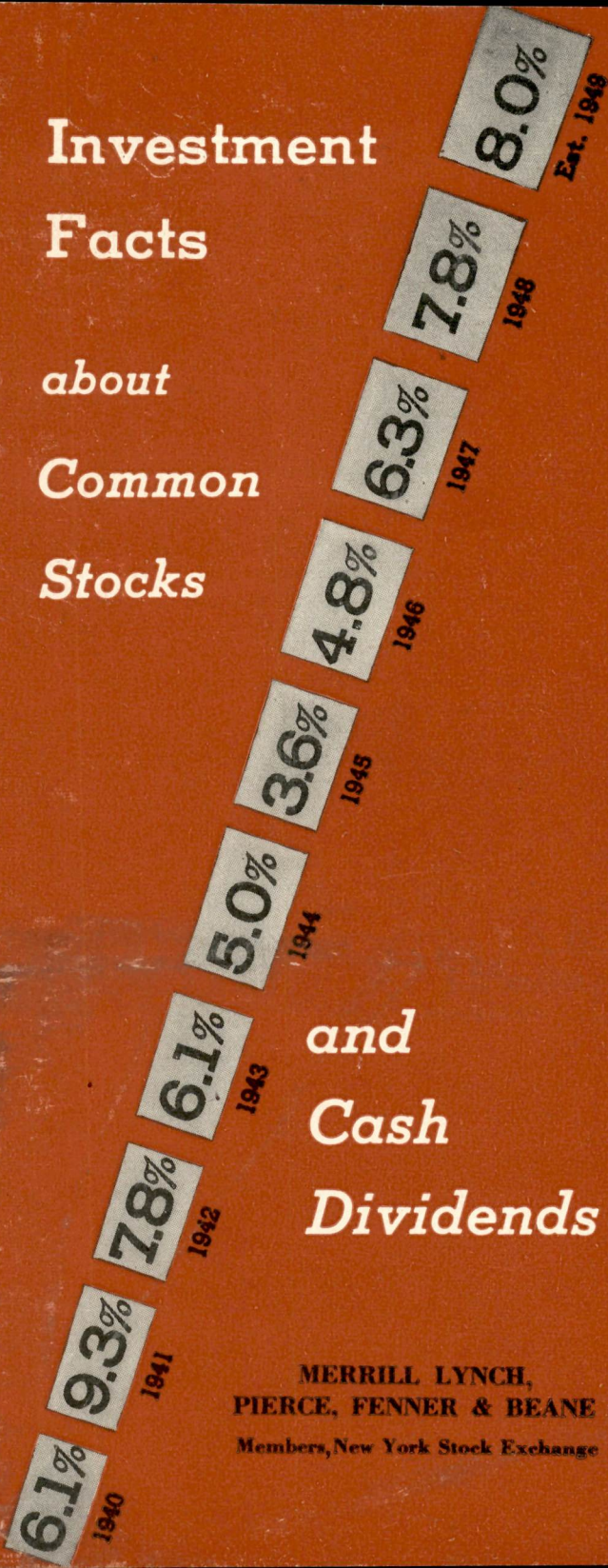
Investment Facts

about

Common
Stocks

and
Cash
Dividends

MERRILL LYNCH,
PIERCE, FENNER & BEANE
Members, New York Stock Exchange





Shown on the front cover is the average yield of all dividend-paying common stocks listed on the New York Stock Exchange, as computed for each year since 1940, based on year-end market prices. The percentages are median averages, midway between the highest and lowest yields.

Of the 1,018 common stocks listed on the Exchange, 856—or roughly 8 out of 10—are paying dividends. It is estimated that the dividends on these 856 stocks will show an average approximate yield of 8 per cent for 1949, or \$8 on each \$100 market value of stock.

A stock's current yield, or rate of return, is figured by dividing the sum of its dividends over a year by the market price. For example, if the year's dividends amount to \$2.40 a share and the market price of the stock is \$30 a share, the yield is calculated as follows:

$$\begin{array}{ccc} 30 & \boxed{2.40} & = 8\% \\ \text{(Price)} & \text{(Dividend)} & \text{(Return)} \end{array}$$



THIS SUMMARY of certain elemental principles of investment and of facts about common stocks has been especially prepared for persons gathering background information preliminary to productive investment of their idle funds. It presents, briefly, facts requested by subscribers to THE EXCHANGE Magazine, published monthly by the New York Stock Exchange. The objective most frequently indicated is to increase income by sharing, through stock ownership, in the earnings of long-established, dividend-paying corporations. The tabular references to specific stocks are, accordingly, confined to those currently offering yields from 3 per cent to 10 per cent and on which dividends have been paid annually without exception for at least 20 years.

What Are Common Stocks?—Certificates for 1, 5, 20, 53 or 100 or more shares, any number a person elects to buy, represent capital (money, plant, equipment) with which a company does business, produces goods and services . . . in many cases products or services which are everyday household terms.

Common stock investment, in the main, has made America's great corporations the backbone of our economy, created millions of jobs and billions of dollars in wealth and established the world's highest standard of living.

The processes contributing to industrial strength and growth, based upon common stock investment, are unending. The investors of yesterday supplied the money to

build a General Motors, a Consolidated Edison, a Standard Oil, a Union Pacific. Investors today continue to share those responsibilities and opportunities, to facilitate the supply of money for new products, better services, greater production and earning power.

Dividends—Investors in dividend-paying common stocks seek additional income, capital gain, to build estates—ambitions which are the driving force in the American way of life. They invest for a larger return on their money than is available from so-called riskless investments. As shareholders, they are, in a sense, in business for themselves; they have become part owners of important enterprises; as owners, they expect a substantial share of whatever profits their companies earn.

Their company's net income, that is, the sum remaining after expenses, taxes and charges have been met, is available for pay-

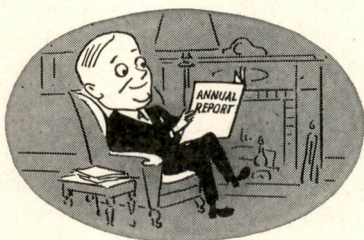


ment of dividends to stockholders. The amounts of dividends are determined, after the company's cash requirements are met, by directors of the company, who are elected by the stockholders.

What About Risk?—As distinct from the holder of a corporation's bond, in which case that person is a creditor, the shareholder is a co-proprietor. He has a direct interest in the ebb and flow of his company's business, the results of which determine the size of its earnings or its losses. Some years will be better than others; some years will produce more in dividends than others, some may produce no dividend.

The facilities of member firms of the New York Stock Exchange are available to help make informed investing today a convenient, simple procedure . . . and also to help you appraise not only the possibilities of reward but the risk that attends ownership of common stocks—a risk inherent in ownership of any form of property.

The investor in common stocks, aware that any single purchase may show later a price gain or a price depreciation, may



reduce his capital risks by averaging. His program may call for a number of purchases of the same stock, or a spread of his capital among several stocks. For example, premised on downward fluctuations, if a stock is bought at \$49 a share and more at \$44 and still more at \$40, the average cost per share is about \$44. Prices of stocks also move up. When prices have been averaged downward in a retreating market, a reversal of that price trend finds this investor in position to see greater capital gain.

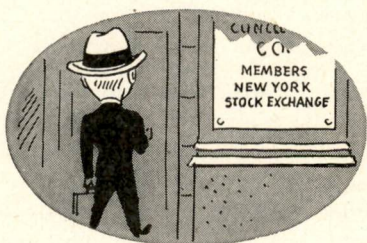
Changing Prices? — A stock bought today may be higher or lower in price tomorrow. Varying fortunes of business are reflected in fluctuating prices for shares.

Another influence upon prices—and an important one—arises from the personal judgments and necessities of investors who, through the facilities provided by the Stock Exchange market, register competitively, in their bids to buy and their offers to sell, their opinions of what stocks are worth to them . . . thus establishing the highest price a buyer will pay and the lowest price which a seller will accept. It is this con-

sensus that determines the prices at which stocks are bought and sold on the New York Stock Exchange. The Exchange does not, in any manner, set prices. The Exchange does see, however, that prices are arrived at openly and fairly and published promptly.

What Does "Listed" Mean?—A company, in order to list its securities on the New York Stock Exchange, must be a substantial, going concern; must be legally organized and the securities validly authorized and issued. There must be sufficient distribution of the securities to permit an adequate market in them, and the company agrees to make periodic, informative reports to owners of its securities and to the public.

Listed means, also, marketability. In other words, securities that are listed on the New York Stock Exchange may be sold on the Exchange at the best price obtainable in that national market place. Likewise, in the event you would increase your holdings, that, too, may be accomplished conveniently, again at the best price available. Customers of member firms of the New York Stock Exchange have direct access to this "listed" market; may obtain a quotation (the highest current bid to buy and the lowest current offer to sell) before entering their orders.

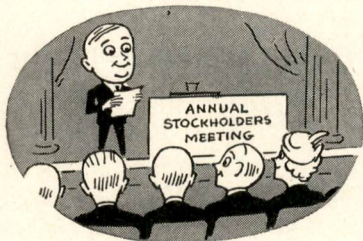


What Is a "Member Firm"?—A firm transacting business as a broker or a dealer in securities that has at least one general partner who is a member of the New York Stock Exchange. The term signifies that the partners comprising the firm have agreed to observe the rules and regulations of the New

York Stock Exchange, standards of business integrity which are unsurpassed anywhere for strictness, to provide responsible, professional service to investors. Merrill Lynch, for example, serves investors through 98 offices in 96 cities.

Who Are Buyers of Common Stocks?—

Federal income tax studies show that about one-third of all dividend payments go to persons with yearly incomes of less than \$5,000. In the case of American Telephone & Telegraph Co., for example, holders of 1 to 5 shares of the company's stock constitute 28.4 per cent of its 815,000 share-owners; the average holding is 30 shares.



Average investors are mainly those of moderate resources, professional men and women, the farmer, business men or women; the thrifty who, after personal emergency reserves are provided for and adequate insurance has been acquired, seek to increase their incomes by thoughtful investment of their idle funds.

Common stocks of many companies on the Exchange which have dividend records meriting consideration are omitted from the following tabulation only because their dividend histories began in a period subsequent to that selected for this review. A broader list, were more space available, would contain a total of 550 companies which have paid dividends every year for at least 10 years. In addition, 178 companies have dividend records of 5 to 9 years. Earnings and dividend records of all companies are freely available in the reference volumes maintained in member firms' offices.

Common Stocks

*on the New York Stock
Exchange that have paid
cash dividends every year
for 20 to 102 years
and are yielding from
3% to 10%*

To help relate the companies in this roster to their fields of enterprise, an indication of each company's products or services is included. The references necessarily are condensed; in nearly every instance activities extend beyond those shown. Factual information concerning any corporation's full range of activities may conveniently be obtained, without obligation, at the offices of member firms of the New York Stock Exchange.

BELOW \$20 PER SHARE

	Pay- ment Began	Est. Current Div. Rate	Approx. Recent Price	Approx. Rate of Return
Acme Steel Co. <i>Steel specialties</i>	1901	\$1.60	\$19 $\frac{7}{8}$	8.1%
American Mach. & Fdry. Co. <i>Mach'ry. for tobacco industry</i>	1927	0.80	13 $\frac{7}{8}$	5.8
American Molasses Co. <i>Molasses, sugar, rel. prods.</i>	1927	0.40	6 $\frac{1}{4}$	6.4
American Safety Razor Corp. <i>Razors, surgical instr.</i>	1922	0.50	8 $\frac{1}{4}$	6.1
B. T. Babbitt Co. <i>Household cleansers</i>	1926	1.20	14	8.6
Bell & Howell Co. <i>Cameras, projectors</i>	1915	0.50	13 $\frac{1}{4}$	3.8

	Pay- ment Began	Est. Current Div. Rate	Approx. Recent Price	Approx. Rate of Return
Bon Ami Co. "B" <i>Household cleansers</i>	1927	\$1.00	\$18¼	5.5%
Burroughs Adding Mach. Co. <i>Office equipment</i>	1895	0.80	14⅝	5.5
Central Aguirre Sugar Co. <i>Cane sugar</i>	1915	1.50	15⅝	9.8
Central Hud. Gas & Elec. Co. <i>Operating public utility</i>	1903	0.52	9	5.8
Chicago Yellow Cab Co. <i>Taxi operator</i>	1917	1.00	11½	8.7
Davega Stores Corp. <i>TV, sports eqpt. chain stores</i>	1928	1.00	13	7.7
De Vilbiss Co. <i>Compressors, spray guns</i>	1918	0.50	12⅜	4.0
Diamond T Motor Car Co. <i>Trucks</i>	1925	1.00	12⅝	7.9
Dome Mines, Ltd. <i>Canadian gold mining</i>	1920	0.70	17¼	4.1
Duplan Corp. <i>Silks & rayons</i>	1908	0.50	13½	3.7
General Baking Co. <i>Wholesale bakery products</i>	1921	0.60	10¼	5.9
General Cigar Co. <i>Tobacco products</i>	1909	1.00	18⅜	5.5
Goodall-Sanford, Inc. <i>Garments & textiles</i>	1921	1.50	17½	8.6
Heyden Chemical Corp. <i>Pharmaceuticals & chem'ls.</i>	1929	1.00	16	6.3
Lehigh Coal & Navigation Co. <i>Anthracite coal</i>	1881	0.50	8⅜	6.0
Lehn & Fink Products Corp. <i>Drugs & toiletries</i>	1925	0.50	10⅞	4.6
Loew's Inc. <i>Motion pictures & theaters</i>	1923	1.50	17	8.8
Marine Midland Corp. <i>Commercial bank</i>	1929	0.40	7⅞	5.1
McQuay-Norris Mfg. Co. <i>Auto engine & chassis parts</i>	1927	1.00	14½	6.9
Norwich Pharmacal Co. <i>Drugs & toiletries</i>	1925	0.80	14	5.7
Paraffine Companies, Inc. <i>Floor coverings, bldg. mat'ls.</i>	1923	1.20	18⅞	6.4
Pennsylvania Railroad Co.	1848	1.00	14⅜	7.1
Potomac Electric Power Co. <i>Operating public utility</i>	1904	0.90	14⅞	6.1
Reading Co. <i>Railroad</i>	1905	2.00	19	10.5
Scranton Electric Co. <i>Operating public utility</i>	1907	1.00	13⅝	7.3

	Pay- ment Began	Est. Current Div. Rate	Approx. Recent Price	Approx. Rate of Return
Frank G. Shattuck Co. <i>Candy, chain restaurants</i>	1925	\$0.40	\$10	4.0%
Socony-Vacuum Oil Co. <i>Petroleum products</i>	1911	1.00	16½	6.1
Sun Chemical Corp. <i>Industrial chemicals</i>	1929	0.40	8½	4.7
Sunshine Mining Co. <i>Silver mining</i>	1927	0.60	10⅝	5.6
Sylvania Electric Prod., Inc. <i>Lamp bulbs & lighting equip.</i>	1929	1.40	18¾	7.5
James Talcott, Inc. <i>Commercial loans</i>	1924	0.60	11	5.5
Thomas Steel Co. <i>Specialty steel strip</i>	1926	1.60	16½	9.7
Union Asbestos & Rubber Co. <i>Asphalt, railroad equip.</i>	1921	1.00	11⅝	8.6
Virginia Elec. & Power Co. <i>Operating public utility</i>	1925	1.20	18	6.7
Waldorf System, Inc. <i>Chain cafeterias</i>	1919	1.00	14⅞	7.1
Waukesha Motor Co. <i>Diesel & gasoline engines</i>	1922	1.00	14	7.1
Wyandotte Worsted Co. <i>Woolen fabrics</i>	1920	0.40	11½	3.5
Youngstown Steel Door Co. <i>Steel doors, freight car pts.</i>	1927	1.00	11¾	8.5

\$20 TO \$30 PER SHARE

Air Reduction Co. <i>Welding gas & equipment</i>	1917	\$1.00	\$22	4.5%
Amer. Home Products Corp. <i>Drugs, cosmetics, food prods.</i>	1919	1.20	27⅝	4.3
Beech Creek R. R. Co.	1891	2.00	28½	7.0
Beneficial Indus. Loan Corp. <i>Installment loans</i>	1929	1.50	26¼	5.7
Best & Co. <i>Retail specialty stores</i>	1924	2.00	25½	7.8
Briggs & Stratton Corp. <i>Auto parts, small engines</i>	1929	1.00	24⅞	4.0
Bristol-Myers Co. <i>Drugs & toiletries</i>	1900	1.60	26⅞	6.0
Chain Belt Co. <i>Indus. conveyor belts</i>	1902	1.60	27	5.9
Champion Paper & Fibre Co. <i>Paper & fibre board prod.</i>	1915	2.00	26	7.7
Chesapeake & Ohio Ry. Co.	1922	3.00	29¾	10.1
Cincinnati Milling Mach. Co. <i>Machine tools</i>	1923	1.40	25¼	5.5

	Pay- ment Began	Est. Current Div. Rate	Approx. Recent Price	Approx. Rate of Return
City Products Corp. <i>Fuel & ice distributor</i>	1896	\$2.50	\$28¾	8.7%
Cleve. Graphite Bronze Co. <i>Bearings & bushings</i>	1922	1.60	26⅞	6.1
Cluett, Peabody & Co. <i>Shirts</i>	1923	2.00	24¾	8.1
Col. & South. Ohio Elec. Co. <i>Operating public utility</i>	1927	1.40	21⅝	6.5
Comb. Engr.-Superheater, Inc. <i>Steam power equipment</i>	1911	2.00	26¼	7.6
Commonwealth Edison Co. <i>Operating public utility</i>	1890	1.60	28⅞	5.5
Consolidated Edison Co. <i>Operating public utility</i>	1885	1.60	26⅞	6.1
Cream of Wheat Corp. <i>Cereals</i>	1900	1.60	26½	6.0
Dayton Power & Light Co. <i>Operating public utility</i>	1919	1.80	29¼	6.2
Detroit Edison Co. <i>Operating public utility</i>	1909	1.20	23	5.2
Detroit Steel Corp <i>Fabricated steel products</i>	1925	2.00	22	9.1
Eaton Mfg. Co. <i>Auto & aircraft parts</i>	1923	2.00	26⅝	7.5
Elliott Co. <i>Power machinery</i>	1905	1.00	23½	4.3
Granite City Steel Co. <i>Steel & steel products</i>	1928	2.00	23⅞	8.6
W. T. Grant Co. <i>Chain department stores</i>	1907	1.00	24¾	4.0
Hazel-Atlas Glass Co. <i>Glassware & glass cont'rs.</i>	1908	1.20	23⅞	5.2
G. W. Helme Co. <i>Snuff</i>	1912	1.60	29⅞	5.4
International Harvester Co. <i>Farm machinery, trucks</i>	1910	1.40	27¼	5.1
Island Creek Coal Co. <i>Bituminous coal</i>	1912	3.90	28	10.7
Spencer Kellog & Sons, Inc. <i>Vegetable oils</i>	1913	2.00	24	8.3
Lambert Co. <i>Pharmaceuticals</i>	1921	1.50	21½	7.0
McCall Corp. <i>Prtg., publ. & dress patterns</i>	1926	2.00	22¾	8.8
Melville Shoe Corp. <i>Shoe mfr. & distr.</i>	1916	1.80	23¾	7.6
Monarch Machine Tool Co. <i>Machine tools</i>	1913	2.00	23½	8.5
Nopco Chemical Co. <i>Industrial chemicals</i>	1927	1.00	27¾	3.6

	Pay- ment Began	Est. Current Div. Rate	Approx. Recent Price	Approx. Rate of Return
Parke, Davis & Co. <i>Pharmaceuticals</i>	1878	\$1.40	\$28 $\frac{7}{8}$	4.8%
Parker Rust Proof Co. <i>Rust-proofing chemicals</i>	1924	2.50	26	9.6
Pet Milk Co. <i>Dairy products</i>	1922	1.00	27 $\frac{1}{2}$	3.6
Philadelphia Electric Co. <i>Operating public utility</i>	1902	1.20	23 $\frac{3}{8}$	5.1
Public Service Elec. & Gas Co. <i>Operating public utility</i>	1907	1.60	24 $\frac{5}{8}$	6.5
Purity Bakeries Corp. <i>Wholesale bakery products</i>	1927	2.40	28 $\frac{3}{4}$	8.3
Raybestos-Manhattan, Inc. <i>Asbestos & rubber products</i>	1895	1.50	26 $\frac{5}{8}$	5.6
Safeway Stores, Inc. <i>Chain grocery stores</i>	1927	1.20	28 $\frac{3}{4}$	4.2
Standard Brands, Inc. <i>Food processors & distr's.</i>	1899	1.20	22	5.5
Union Oil Co. of California <i>Petroleum products</i>	1916	2.00	29	6.9
United Biscuit Co. <i>Biscuits, crackers, cookies</i>	1928	1.00	28 $\frac{1}{4}$	3.5
United Gas Improvement Co. <i>Operating public utility</i>	1885	1.30	23 $\frac{7}{8}$	5.4
U. S. Tobacco Co. <i>Tobacco products</i>	1912	1.20	20 $\frac{7}{8}$	5.7
Universal Leaf Tobacco Co. <i>Leaf tobacco processors</i>	1927	1.20	24	5.0
Vick Chemical Co. <i>Pharmaceuticals</i>	1922	1.20	24 $\frac{5}{8}$	4.9
Washington Gas Light Co. <i>Operating public utility</i>	1852	1.50	24	6.3
Wesson Oil & Snowdrift Co. <i>Vegetable oils & shortening</i>	1927	1.40	22 $\frac{3}{4}$	6.2
Westinghouse Air Brake Co. <i>R.R. air brakes & sig. equip.</i>	1875	2.00	27 $\frac{3}{8}$	7.3
S. S. White Dental Mfg. Co. <i>Dental instr. & equip.</i>	1881	1.50	27 $\frac{1}{2}$	5.5
Yale & Towne Mfg. Co. <i>Mach'r'y. & bldg. hardware</i>	1899	1.00	23 $\frac{1}{2}$	4.3

\$30 TO \$40 PER SHARE

American Brake Shoe Co. <i>R.R. & auto brakes</i>	1902	\$2.40	\$32 $\frac{3}{8}$	7.4%
American News Co. <i>Mag. & newspaper distr's.</i>	1864	1.50	32 $\frac{3}{4}$	4.6
American Ship Building Co. <i>Ship building & repairing</i>	1917	3.00	38 $\frac{3}{4}$	7.7
Anchor Hocking Glass Corp. <i>Glassware & glass cont'rs.</i>	1914	2.00	34 $\frac{1}{2}$	5.8

	Pay- ment Began	Est. Current Div. Rate	Approx. Recent Price	Approx. Rate of Return
Archer-Daniels-Midland Co. <i>Linseed oil</i>	1927	\$2.00	\$36½	5.5%
Atlantic Refining Co. <i>Petroleum products</i>	1927	2.00	38	5.3
Beech-Nut Packing Co. <i>Groceries, misc. canned foods</i>	1902	1.60	34	4.7
Best Foods, Inc. <i>Food processors & distr's.</i>	1927	2.00	32⅞	6.1
Brown Shoe Co. <i>Shoe manufacturer</i>	1923	1.20	36¾	3.3
Carpenter Steel Co. <i>Alloy steel & specialties</i>	1907	2.00	31½	6.3
Caterpillar Tractor Co. <i>Farm machinery</i>	1914	2.00	31⅞	6.3
Cincinnati Gas & Electric Co. <i>Operating public utility</i>	1853	1.40	32	4.4
Columbian Carbon Co. <i>Carbon blacks</i>	1916	2.00	30¼	6.6
Consumers Power Co. <i>Operating public utility</i>	1913	2.00	32¾	6.1
Continental Can Co. <i>Cans & containers</i>	1923	1.00	33½	3.0
Diamond Match Co. <i>Matches, pulp prods.</i>	1882	1.50	33	4.5
Dixie Cup Co. <i>Paper cups, plates</i>	1929	1.50	32¾	4.6
Endicott Johnson Corp. <i>Shoe mfr. & distr.</i>	1919	1.60	32⅞	4.9
General Electric Co. <i>Electrical equipment</i>	1899	2.00	37⅞	5.4
Gillette Safety Razor Co. <i>Razors & perm. wave sets</i>	1906	2.50	32¼	7.8
Hackensack Water Co. <i>Operating public utility</i>	1886	1.70	36	4.7
H. J. Heinz Co. <i>Groceries, misc. canned foods</i>	1911	1.80	35½	5.1
Household Finance Corp. <i>Installment loans</i>	1917	2.00	38	5.3
Howe Sound Co. <i>Copper, silver, gold mining</i>	1923	2.00	39⅞	5.0
Idaho Power Co. <i>Operating public utility</i>	1917	1.80	35¼	5.1
Joy Mfg. Co. <i>Mining machinery</i>	1929	3.20	31½	10.2
Life Savers Corp. <i>Confections</i>	1922	1.60	36¼	4.4
Louisville Gas & Elec. Co. <i>Operating public utility</i>	1925	1.80	30¼	6.0
MacAndrews & Forbes Co. <i>Licorice prod., paper bd.</i>	1903	2.00	34¾	5.8

	Pay- ment Began	Est. Current Div. Rate	Approx. Recent Price	Approx. Rate of Return
R. H. Macy & Co. <i>Department stores</i>	1927	\$2.00	\$32 $\frac{1}{4}$	6.2%
Mesta Machine Co. <i>Steel mill machinery</i>	1914	2.50	35 $\frac{5}{8}$	7.0
National Biscuit Co. <i>Biscuits, crackers, cereals</i>	1899	1.60	36 $\frac{1}{2}$	4.4
National Dairy Products Corp. <i>Dairy products</i>	1924	2.00	35 $\frac{5}{8}$	5.6
National Lead Co. <i>Lead products, paint</i>	1906	1.00	32 $\frac{5}{8}$	3.1
J. J. Newberry Co. <i>Chain variety stores</i>	1928	2.00	36 $\frac{1}{2}$	5.5
Northwestern Telegraph Co. <i>Communications</i>	1882	3.00	33 $\frac{1}{2}$	9.0
Otis Elevator Co. <i>Elevators & escalators</i>	1903	2.00	35 $\frac{1}{4}$	5.7
Pacific Gas & Electric Co. <i>Operating public utility</i>	1919	2.00	33 $\frac{1}{2}$	6.0
Penick & Ford, Ltd. <i>Corn, sugar cane, maple prod.</i>	1929	1.60	32 $\frac{3}{4}$	4.9
Pennsylvania Salt Mfg. Co. <i>Industrial chemicals</i>	1863	1.20	39 $\frac{3}{4}$	3.0
Peoples Drug Stores, Inc. <i>Chain drug stores</i>	1927	2.00	35 $\frac{1}{2}$	5.6
Philco Corp. <i>TV, radio, home appliances</i>	1926	2.00	31 $\frac{1}{2}$	6.3
Pillsbury Mills, Inc. <i>Flour, feeds</i>	1924	2.00	30 $\frac{1}{2}$	6.6
Pullman Inc. <i>Railroad cars & equipment</i>	1867	2.00	34	5.9
R. J. Reynolds Tob. Co. "B" <i>Cigarettes, tobacco prods.</i>	1918	1.80	39 $\frac{3}{8}$	4.6
South Porto Rico Sugar Co. <i>Cane sugar</i>	1924	4.00	35 $\frac{1}{8}$	11.4
Southern Calif. Edison Co. <i>Operating public utility</i>	1907	2.00	33 $\frac{5}{8}$	5.9
E. R. Squibb & Sons <i>Manufacturing chemists</i>	1922	1.00	33	3.0
Sterling Drug, Inc. <i>Pharmaceuticals</i>	1902	2.00	37 $\frac{1}{4}$	5.4
Sutherland Paper Co. <i>Paperboard & containers</i>	1923	2.00	35 $\frac{1}{4}$	5.7
Timken Roller Bearing Co. <i>Roller bearings, steel tubes</i>	1921	3.00	37 $\frac{1}{4}$	8.1
Union Carbide & Carbon Corp. <i>Industrial chemicals</i>	1918	2.00	39 $\frac{7}{8}$	5.0
Union Tank Car Co. <i>Leases R.R. tank cars</i>	1914	2.60	32	8.1
United-Carr Fastener Corp. <i>Snap fasteners</i>	1923	2.00	34	5.9

	Pay- ment Began	Est. Current Div. Rate	Approx. Recent Price	Approx. Rate of Return
United Eng. & Fdry. Co. <i>Steel mill equipment</i>	1902	\$3.00	\$39 $\frac{7}{8}$	7.5%
Western Auto Supply Co. <i>Auto pts. & home appl. chn. strs.</i>	1928	3.00	34 $\frac{3}{4}$	8.6

\$40 TO \$50 PER SHARE

Abbott Laboratories <i>Pharmaceuticals</i>	1926	\$1.60	\$44 $\frac{7}{8}$	3.6%
Adams-Millis Corp. <i>Cotton & rayon hosiery</i>	1928	2.00	43	4.7
American Chicle Co. <i>Chewing gum</i>	1926	2.00	46	4.3
Amer.-Hawaiian Steamship Co. <i>Freight shipping line</i>	1929	3.00	41	7.3
American Snuff Co. <i>Snuff</i>	1903	2.00	41	4.9
Associates Investment Co. <i>Installment loans</i>	1918	3.00	43 $\frac{3}{4}$	6.9
Borden Co. <i>Dairy products</i>	1899	2.40	44 $\frac{7}{8}$	5.3
Canada Southern Ry. Co.	1887	3.00	41	7.3
Cannon Mills Co. <i>Towels & sheets</i>	1890	3.00	47	6.4
Cleveland Elec. Illum. Co. <i>Operating public utility</i>	1900	2.20	41 $\frac{1}{8}$	5.3
Colgate-Palmolive-Peet Co. <i>Soap & toiletries</i>	1895	2.00	40	5.0
Dow Chemical Co. <i>Industrial chemicals</i>	1911	1.60	49 $\frac{1}{4}$	3.2
Eastman Kodak Co. <i>Photo & optical products</i>	1902	1.60	43	3.7
Electric Storage Battery Co. <i>Batteries & accessories</i>	1901	2.00	41	4.9
Firestone Tire & Rubber Co. <i>Tires, tubes, rubber prods.</i>	1924	4.00	46 $\frac{1}{2}$	8.6
General Amer. Transp. Corp. <i>Mfr. R.R. freight cars</i>	1919	3.00	45 $\frac{3}{4}$	6.6
General Foods Corp. <i>Food processors & distr's.</i>	1922	2.00	45	4.4
Hercules Powder Co. <i>Chemicals, explosives</i>	1913	1.80	47	3.8
Houston Lighting & Power Co. <i>Operating public utility</i>	1922	2.20	46 $\frac{3}{4}$	4.7
International Shoe Co. <i>Shoe manufacturer</i>	1913	3.00	45	6.7
S. S. Kresge Co. <i>Chain variety stores</i>	1913	2.00	41	4.9
Lily-Tulip Cup Corp. <i>Paper cups, plates</i>	1929	2.00	41	4.9

	Pay- ment Began	Est. Current Div. Rate	Approx. Recent Price	Approx. Rate of Return
Mathieson Chemical Corp. <i>Industrial chemicals</i>	1926	\$2.00	\$40½	4.9%
May Dept. Stores Co. <i>Chain department stores</i>	1911	3.00	47⅝	6.3
Philip Morris & Co. <i>Cigarettes, tobacco prods.</i>	1928	2.00	48⅛	4.2
G. C. Murphy Co. <i>Chain variety stores</i>	1913	1.50	46	3.3
F. E. Myers & Bro. Co. <i>Pumps, sprays</i>	1921	3.00	47	6.4
Norfolk & Western Ry. Co.	1901	3.00	48	6.3
Chas. Pfizer & Co. <i>Pharmaceuticals</i>	1901	2.00	48⅝	4.1
Plymouth Oil Co. <i>Petroleum products</i>	1925	2.00	46	4.3
Public Service Co. of Col. <i>Operating public utility</i>	1907	2.60	45⅜	5.7
R. J. Reynolds Tobacco Co. <i>Cigarettes, tobacco prods.</i>	1901	1.80	49	3.7
Standard Oil Co. (Indiana) <i>Petroleum products</i>	1894	2.00	42⅜	4.7
Underwood Corp. <i>Office equipment</i>	1911	3.00	42¼	7.1
United Fruit Co. <i>Bananas, shipping</i>	1899	2.00	49¾	4.0
U. S. Pipe & Foundry Co. <i>Cast iron pipe, castings</i>	1926	3.00	45¼	6.6
Victor Chemical Works <i>Industrial chemicals</i>	1926	1.60	40½	4.0
F. W. Woolworth Co. <i>Chain variety stores</i>	1912	2.00	47¼	4.2

\$50 TO \$60 PER SHARE

Bon Ami Co. "A" <i>Household cleansers</i>	1898	\$4.00	\$55½	7.2%
Borg-Warner Corp. <i>Auto parts, refrigerators</i>	1928	4.00	53¼	7.5
C.I.T. Financial Corp. <i>Installment loans</i>	1921	3.00	54½	5.5
Chrysler Corp. <i>Auto manufacturer</i>	1926	5.00	52	9.6
Corn Exchange Bank Trust Co. <i>Commercial bank</i>	1854	2.80	54⅜	5.1
Det., Hills. & So. W. R.R. Co.	1881	4.00	53½	7.5
E. I. du Pont de Nemours & Co. <i>Nylon, chemicals</i>	1904	2.60	54⅛	4.8
Erie & Pittsburgh R.R. Co.	1870	3.40	58½	5.8

	Pay- ment Began	Est. Current Div. Rate	Approx. Recent Price	Approx. Rate of Return
Freeport Sulphur Co. <i>Sulphur mining</i>	1927	\$4.00	\$54½	7.3%
General Mills, Inc. <i>Flour, cereal, feeds</i>	1898	2.00	51½	3.9
International Salt Co. <i>Salt for indus. & home use</i>	1915	3.00	56½	5.3
Jewel Tea Co. <i>Tea, groceries, chain stores</i>	1928	2.40	57	4.2
S. H. Kress & Co. <i>Chain variety stores</i>	1918	2.00	58⅛	3.4
Kroger Co. <i>Groceries, chain food stores</i>	1902	2.40	54½	4.4
McIntyre Porcupine Mines, Ltd. <i>Canadian gold mining</i>	1917	2.00	57½	3.5
Minn.-Honeywell Reg. Co. <i>Thermostats, oth. reg. devices</i>	1928	2.00	58	3.4
Monsanto Chemical Co. <i>Industrial chemicals</i>	1925	2.00	53	3.8
Owens-Illinois Glass Co. <i>Glass & paper cont'rs.</i>	1907	3.00	58	5.2
Pacific Lighting Corp. <i>Operating public utility</i>	1909	3.00	52⅛	5.8
J. C. Penney Co. <i>Chain variety stores</i>	1922	2.00	52¾	3.8
Ruberoid Co. <i>Asphalt & asbestos prods.</i>	1889	2.00	54	3.7
Sunshine Biscuits, Inc. <i>Biscuits, crackers, cereals</i>	1927	5.00	54¼	9.2

\$60 TO \$70 PER SHARE

Continental Insurance Co. <i>All ins. except life</i>	1854	\$2.00	\$67¾	3.0%
Corn Products Refining Co. <i>Corn, starch, syrup prod.</i>	1920	3.60	64⅞	5.5
First National Stores, Inc. <i>Grocery chain stores</i>	1914	3.00	65½	4.6
General Motors Corp. <i>Auto manufacturer</i>	1915	5.00	65	7.7
Ingersoll-Rand Co. <i>Air & gas compressors</i>	1910	4.00	67½	5.9
Link-Belt Co. <i>Indus. conveyor belts</i>	1906	4.00	61¾	6.5
Scott Paper Co. <i>Paper towels & tissue</i>	1915	2.50	60¼	4.1
Standard Oil Co. of Calif. <i>Petroleum products</i>	1912	4.00	67⅞	6.0
Texas Co. <i>Petroleum products</i>	1903	3.00	62⅞	4.8

	Pay- ment Began	Est. Current Div. Rate	Approx. Recent Price	Approx. Rate of Return
Texas Gulf Sulphur Co. <i>Sulphur mining</i>	1921	\$3.00	\$65	4.6%
U. S. Playing Card Co. <i>Playing cards, novelties</i>	1896	2.00	63½	3.1

\$70 TO \$100 PER SHARE

Allegheny & Western Ry. Co.	1899	\$6.00	\$85	7.1%
American Can Co. <i>Cans & containers</i>	1923	3.00	94⅝	3.2
American Tobacco Co. <i>Cigarettes, tobacco prods.</i>	1905	3.00	72¾	4.1
Liggett & Myers Tobacco Co. <i>Cigarettes, tobacco prods.</i>	1912	4.00	87	4.6
Minnesota Mining & Mfg. Co. <i>Adhesives, abrasives</i>	1916	2.80	85½	3.3
National Steel Corp. <i>Steel & steel prods.</i>	1907	5.00	84¼	5.9
Northern Central Ry. Co.	1881	4.00	78½	5.1
Outlet Co. <i>Department store</i>	1926	5.00	72½	6.9
Procter & Gamble Co. <i>Soap, toiletries</i>	1891	3.00	75	4.0
Standard Oil Co. (New Jersey) <i>Petroleum products</i>	1882	3.00	71	4.2
Union Pacific R.R. Co.	1900	5.00	81¾	6.1
U. S. Gypsum Co. <i>Gypsum, lime, paints</i>	1919	4.00	96¾	4.1
Vicks., Shreve, & Pac. Ry. Co.	1923	5.00	86	5.8
Wm. Wrigley Jr., Co. <i>Chewing gum</i>	1913	3.00	76	3.9

ABOVE \$100 PER SHARE

Alabama & Vicksburg Ry. Co.	1896	\$6.00	\$102½	5.9%
Allied Chemical & Dye Corp. <i>Industrial chemicals</i>	1921	6.00	187½	3.2
American Tel. & Tel. Co. <i>Bell telephone system</i>	1881	9.00	143⅞	6.3
Carolina, Clinch. & Ohio Ry.	1925	5.00	102	4.9
Cleve., Cin., Chi. & St. L. Ry.	1922	10.00	160	6.3
Gold & Stock Telegraph Co. <i>Subsidiary of West. Union</i>	1875	6.00	108	5.6
Mahoning Coal R.R. Co.	1884	50.00	475	10.5
Pacific Tel. & Tel. Co. <i>Oper. unit of Bell system</i>	1925	7.00	100	7.0
Pitts., Cin., Chi. & St. L. R.R.	1916	5.00	100	5.0
Pitts., Ft. Wayne & Chi. Ry. Co.	1872	7.00	151½	4.6

OFFICES

Alabama

Birmingham
Mobile
Montgomery

Arizona

Phoenix

Arkansas

Hot Springs
Little Rock
Pine Bluff

California

Beverly Hills
Hollywood
*La Jolla
Los Angeles (2)
Oakland
Pasadena
San Diego
San Francisco

Colorado

Denver

Connecticut

Stamford

Cuba

Havana

Dist. of Columbia

Washington

Florida

Jacksonville
Miami
Miami Beach
Orlando
Palm Beach
St. Petersburg

Georgia

Atlanta
Augusta
Columbus
Macon
Savannah

Idaho

*Idaho Falls
*Pocatello

Illinois

Chicago

Indiana

Fort Wayne
Indianapolis

Iowa

Davenport
Des Moines

Kentucky

Lexington
Louisville

Louisiana

Monroe
New Orleans
Shreveport

Maryland

Baltimore

Massachusetts

Boston

Mexico

(Correspondent)
Mexico City

Michigan

Detroit
Grand Rapids
Lansing
Saginaw

Minnesota

Minneapolis
St. Paul

Mississippi

Jackson

Missouri

Kansas City
St. Louis

New Jersey

Newark
Trenton

New York

Albany
Buffalo
New York (2)
Poughkeepsie

North Carolina

Asheville
Charlotte
Greensboro
Raleigh
Wilson
Winston-Salem

Ohio

Akron
Canton
Cincinnati
Cleveland
Columbus
Zanesville

Oklahoma

Oklahoma City
Tulsa

Oregon

Portland

Pennsylvania

*Allentown
Lebanon
Philadelphia
Pittsburgh
*West Chester
Williamsport
York

Rhode Island

Providence

South Carolina

Columbia

Tennessee

Memphis
Nashville

Texas

Amarillo
Austin
Beaumont
Corpus Christi
Dallas
Fort Worth
Galveston
Houston
San Antonio
Waco
Wichita Falls

Utah

Salt Lake City

Washington

Seattle
Spokane
Tacoma

Wisconsin

Milwaukee

*-Sales headquarters



I should make a list of factors affecting stock mkt., find currently available measures of those factors, test it all, then I will know what to expect - a little better.

The amount of work this would require would not pay off if one were just working casually, with a little money, as I am. But as time goes by I will gradually learn the ropes, & accumulate money, & it will become well worth it all.

Basic factors: anticipated future money ^{dividends} ~~yields~~ of stocks; & future mrs. With all their determinants.

Generally, ~~when~~ people will think more about dividends than mrs, so by anticipating A mrs better I should outguess crowd.

When yields on inv. fall, co.s pay higher dividends, & inv falls, simul., so stocks should rise.

After I learn how to predict A mrs, I can speculate in pld., which is peculiarly sensitive to mrs. Just now my impression is it will fall further.

↘ Check. & plds rose on 19th. My idea is no, they, & bonds, probly fell, for amr. intl. doesn't help them - so much.

Hutton says 'Buy':

Am. Snuff

Corn Products

Endicott Johnson

Norfolk Western

Standard Oil (N).

(c. 690 !)

" " Ind.

Union Carbide

Underwood

Woolworth.

DEAN WITTER & Co.

ANALYTICAL DEPARTMENT

Selected Stocks
January, 1950

g

PERMANENTE CEMENT

Approx. Price	30	Est. Net Per Share	\$5.25*
Yield	8.3%	Dividend	2.50*

* Fiscal year to 1/31/1950.

Permanente Cement combines an 8.3% yield with a market price which appears more attractive than comparable issues. Moreover, it is a West Coast leader in the well situated cement industry backed by a very strong treasury.

Permanente Cement enjoys a favorable position due to:

1. Its modern and efficient $5\frac{1}{2}$ million barrel plant at Permanente, California, near the important San Francisco Bay consuming area, ideally located to take advantage of modern shipping facilities in competing for markets overseas and in the Pacific Northwest.

2. Low selling and administrative costs compared to the industry average, plus excellent labor relations.

Earnings are excellent and reflect substantial growth from the \$1.91 per share in 1946 to the record \$4.84 for 1948. Net of \$4.21 for the 9 months to 10/31/49 indicates full year's earnings of around \$5.25 a share. Dividend rate has recently been raised to \$2.00 a share and declaration of the year-end extra of \$0.80 brought total payments to \$2.50 for the fiscal year.

The Oct. 31, 1949 balance sheet reflects a strong financial position with current assets of \$9,840,000, including \$5,590,000 in cash, vs. current liabilities of \$3,140,000. Net working capital amounted to \$6,700,000, or \$9.57 for each of the 700,000 common shares. There is no long-term debt or preferred stock.

Permanente Cement is selling at under 6 times estimated 1949 net to yield 8.3% on the \$2.50 total dividend. On this basis, Permanente Cement appears to be an outstanding value in an industry whose 1950 prospects are most favorable since comparable stocks are selling at 6 - 8 times earnings to yield 5% - $6\frac{1}{2}\%$.

Submit some low bids right away.

"War" stocks would be bombed in a real war, & coastal esp.

Now people figure further cap. won't be built, so existing cap. is more valuable, so buy it.

Peace stocks (retailers, food processors)

- 'DeLumire' - built up in recent boom
- Cal Pack (Dean Wither bought it, & mis-predicted the stock mkt)

✓ Saturday \$1.25, '49 30. Now at \$2.60

✓ Flintkote? 890 24

OT's elevator ²⁸ pays \$2.50. Paid \$1.00 in war, speculating that building will continue.

~~Grand Union Co. (beating out AP here!) 890, '49 30+~~

Oro meat Bread - write immediately.

Leslie Salt

War Stocks (steel, aircraft mfg, r.r. equipment, shipbuilding)

Kern Cty Land

Byron - Jackson (oil field equipment, war-stuff)

Acme Steel 790

Others

\$500 - DeLumire vs. Depression
- P.G.E. - pays better than other utilities. JRM & others consider it well managed. Will grow with Cen. Valley. But look out for overconcentration in 1 area?

[^{ML prof. for E} Westinghouse (Moody's calls it an armament stock)] An area vulnerable to Russ. attack? They might hit coast cities, not valley.

McGraw-Hill - Doesn't move fast. \$2.35 - ~~initially~~ \$2

Xerox - 4 1/2 % No funded debt.

- Chrysler - Yields 9% pays \$6.00 } Now because of war fears. Paid 1.50 in war
Studebaker - Pays \$3. - 10%

Xensteel - spec.

→ L & N - \$500 & co. recommends U.P.

- AT&T - much leverage. (150-160 for years. Not much movement)

Endicott Johnson

- Burroughs Adding Machine - 890 at 13, pays c. 75¢

Row - at 59, looks better

Low

The Magazine of Wall St.

May 20, 1950

Co.'s rept.ing higher net on lower sales, due to still lower costs:

Allied Chem. & Dye;

Am Tob

Atlas Powder

Baldwin

Beckham

Borden

Brown & Borden

Briggs-Erie

Colgate

Com Pro. Rtg.

Cr. of Wt.

Grant (WT)

Hazel-Atlas Glass

Hercules Motors

Hershey

Int Harv.

Kimberly Clark

Lambert

Mead Johnson

Motor Wheel

Nat. Dairy

Owens-Ill. Glass

Punch & Sons

Pet Milk

Safeway

St. Brands

Sw Chem.

USS

Westinghouse

(In Stock mkt, as in bond mkt, spec. is a disruptive rather than lending influence on price, because of limited supply, & no cost of production, nothing but future antic.)

Get busy & put m. into bonds or something while waiting for mkt to drop. Write Presssey. Check those insuring agencies.

p. 216 - Signs in industry of 'willingness to A cap. exp.'

Check into what banks are doing, how demand for loans is going. (people who borrow at banks do not buy stocks too) It looks as tho loans & investments rose in 2d $\frac{1}{2}$ '49, but loans fell, so it was inv. that rose. - ~~not~~ follows my hypothesis.

In FRB I can see what banks have been up to, also get good slant on history of inv.

Consumer demand has moved sharply to hard goods recently.

Sell of good stuff, read it more.

Remember, while still in mind, that '49-50 was a time of intense housing boom. "Business" had reduced its inv. outlay, some - not too much - but people were investing mostly in housing for own use - you don't have to resell housing, you live in it. Extensive govt. guarantees involved, but definitely cyclical. Lower inv maybe involved - 'business' inv. opp. came first. These temporarily abated, cap. moved into housing. - & stocks, simul.

SAN FRANCISCO
OAKLAND
BERKELEY
SACRAMENTO
CARMEL
SAN MATEO

SANTA CRUZ
SANTA ROSA
SALINAS
BAKERSFIELD
SAN JOSE

DAVIES & MEJIA
MEMBERS
NEW YORK STOCK EXCHANGE
SAN FRANCISCO STOCK EXCHANGE
CHICAGO BOARD OF TRADE
NATIONAL ASSN. SECURITY DEALERS

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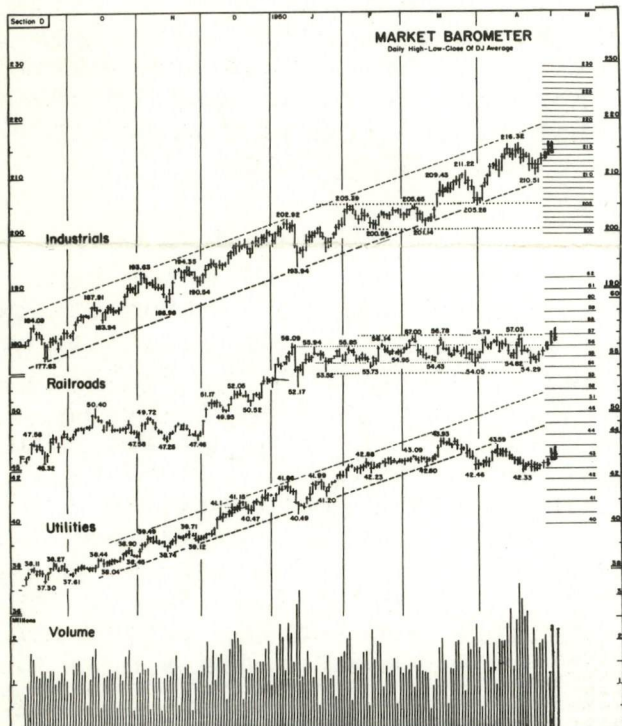
MARKET REVIEW

May 1950

The market has developed a more speculative tone. During April the defensive stocks that had lead the recovery since last June were down $1\frac{1}{4}\%$ while an index of low priced stocks showed a gain of 10%. No doubt the sensational 60% advance in the televisions this year has made people more stock market conscious than they have been since 1946. As a result the trading volume during the month reached the highest total for any April since 1933.

This shift in leadership from the higher grade to the lower priced shares is a rather normal sequence in bull markets. It makes more active, more exciting and more vulnerable markets. In the past it has generally been wise to hold stocks as long as these lower priced shares continued to advance. Not until interest in them has died down has the market corrected itself. So far there is still a healthy relationship between the higher and the lower grade shares. At present an index of low priced shares is selling 11% above the general market average whereas in the vulnerable market in 1946 it was 108%, in 1937 it was 46%, and in 1929 it was 92% above this general market average. *How more basis shown?*

As the chart below shows, the Dow Jones industrial average has been fluctuating between two upward parallel lines since last September. Since early January the rails have moved sidewise. In the last month and a half the utilities have moved lower and broken a long rate of uptrend. Technical traders will be hopeful as long as the averages hold above the lows of late April which were around the 210-211 level for industrials, 53 $\frac{1}{2}$ -54 for rails, and 42-42 $\frac{1}{2}$ for the utilities. Being fair weather friends they probably have stop sell orders under those levels.



(Chart by Robt. W. Mansfield Co.)

Someone has called this a market that is historically high but statistically low. It is true that the Dow Jones industrial average has sold at its current level in only three years in history - in 1928, 1929 and 1930. But if one adjusts prices to today's lower purchasing power of the dollar, or if one takes into consideration the long term secular growth of stock prices, the market is not historically high. Furthermore while the industrial average moved above its 1946 high during April we find that only 20 out of 123 groups of stocks have sold higher than they did four years ago.

In other years when the market sold higher than it is today it was not nearly as well fortified statistically. The Dow Jones industrial average is still selling for less than ten times earnings and it gives a yield of 5.9%. Since 1946, when the average was near the current level the book value of the Dow Jones stocks has increased from \$119.22 to \$162.46.

General Motors is a good example of a stock that is statistically cheap in spite of the fact that it is historically high in price-

Year	High Price	Cost of Buying \$1,000 Worth of Earnings	Cost of Buying \$1,000 Worth of Dividends
1929	91 3/4	\$16,700	\$21,300
1936-37	77	17,550	20,500
1950	87 1/8	5,950	10,900

*GM yielding
9% 2 1/2% 1 1/2%
better than it.*

The Market Since January 1st-

Not all stocks have been as buoyant in 1950 as the general market average. There has been a gain of 60% in television shares but there has also been the other extreme of a 17% decline in woolen textile stocks. We have sampled the market by studying 300 active trading issues and find that 25% made their highs in January, 13% in February, 25% in March and 37% in April. Since the first of the year 33% of the industrials, 31 1/2% of the rails and 31% of the utilities have done better than average. Best acting issues have been concentrated in 13 groups - auto, steel and iron, tire and rubber, chemical, aircraft manufacturing, banks, air transports, paper, distillers, radio and television, leather, meat packing, and electric equipment. Thirty four other groups have been unable to keep pace with the average. There are some that are selling lower now than they did at the beginning of the year. They are the brewing, soft drinks, coal, fertilizer, baking and milling, gold, lead and zinc, machinery, mining and smelting, printing and publishing, variety chains, shoes, cotton goods, rayon, woolen goods, tobacco and fire insurance. Such statistics are subject to two interpretations. The bulls say that it indicates that the market has been correcting the advance in a piecemeal fashion and that it is therefore stronger than it looks. The bears say that many sections of the market are acting tired after the advance since last June. There is one thing that is certain from these figures however. That is that it is necessary to study the market group by group if one is to secure the best profits.

Among the Bulls and Bears-

Both the bulls and bears have been more vocal recently. The latter base their skepticism on the fact that there has been no good correction of the 10 1/2 month uptrend. They are worrying about the tense foreign situation and they feel our economy is artificially propped up on government stilts. They may have a point as far as the trading moves are concerned but the bulls still have the better side of the argument for the long pull. This has been a short bull market both as to time and extent. No important bull market peak has been reached when the automobile stocks have lead an advance. Usually there is ample warning of economic troubles ahead when this group, which is sensitive to consumer demand, has lagged for several months as it did prior to the important tops in 1929, 1937 and 1946. So far the market has not developed the unhealthy distortions between low priced and high quality stocks or between capital goods and consumer goods stocks that have been seen in the past before important declines. After July 1st the legal trusts in New York state will for the first time in history, be able to buy several hundred million dollars worth of stocks if they see fit. The Administration has the power to regulate our economy and make sentiment good before the November elections. They learned in 1946 that a declining stock market is not healthy for the party in power.

Common Stocks for Long Term Holding---Yielding 6% or More-

Investors who plan placement of funds in commons at this time should take the precaution to purchase only stocks representing well established situations in companies with staying power over the years and at market prices that appear reasonable, according to Moody's. Among the issues that give yields of 6% or more, that they recommend are:

	<u>1949 Earn.</u>	<u>Dividend</u>	<u>Price</u>	<u>Yield</u>
Best & Co.	\$3.29	\$2.00	26 3/4	7.48%
Central & South West Corp.	1.40	0.90	15	6.00
C. I. T. Financial Corp.	6.81	4.00	63 3/8	6.31
Flintkote Co.	4.33	2.50	31 3/8	7.97
International Harvester	4.36	1.80	26 1/8	6.89
International Min. & Chem.	6.36	2.00	32 5/8	6.13
Iowa Illinois Gas & Elec.	2.76	1.80	27 3/4	6.49
Montana Power Company	2.49	1.40	22 1/4	6.29
National Cash Register	5.92	2.50	38	6.58
Otis Elevator	5.22	2.50	38 3/8	6.51
Penick & Ford Ltd. Inc.	3.40	2.60	36 5/8	7.10
Rochester Gas & Electric	2.28	2.24	32 1/2	6.89
Safeway Stores Inc.	5.22	2.00	33 1/8	6.04
West Penn Electric	3.31	1.80	25 1/4	7.13

\$10,000 Portfolios for Different Type Investors-

Three sample portfolios to be used as guides in the formulation of investment programs are suggested by Standard and Poor's:

<u>Income & Stability</u>	<u>Income & Appreciation</u>	<u>Price Appreciation</u>
30 Pac. Gas & Elec. \$1.50 Pfd.	15 Amer. Cyanamid	60 American Airlines
45 Beneficial Ind. Loan	20 Bendix Aviation	20 Armco Steel
40 Commonwealth Edison	15 Chrysler Corp.	40 Burlington Mills
15 Corn Products	15 Commercial Credit	30 DuMont Lab.
15 duPont	15 Continental Oil	30 General Tire & Rub.
25 General Electric	15 Montgomery Ward	35 Int'l. Utilities
25 S. S. Kresge	70 Southern Co.	25 Lockheed Aircraft
20 Manufacturers Trust	25 Southern Natural Gas	35 Stand. Steel Spring
20 Pacific Lighting	30 U. S. Plywood	25 Studebaker
	Balance in Cash	25 Union Bag & Paper
		Balance in Cash

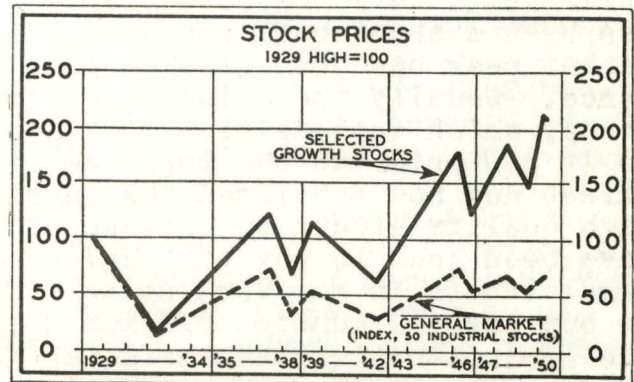
Annual Income \$517

Annual Income \$519.88

Annual Income \$465

Items from the Services-

Standard & Poor's lists the following growth stocks- American Cyanamid, American Viscose, Dow Chemical, International Business Machines, Minneapolis Honeywell, Minnesota Mining, Parke Davis, Phillips Petroleum, Scott Paper, Union Carbide, United Gas, U. S. Plywood. (Average net income of these 12 companies was 3 times as large in 1949 as in 1929). Most Favorably situated Stock Groups- According to the same service are - auto parts, building (roofing and wallboard), chemicals, electric equipment, finance, tires and rubber goods, electric operating utilities, natural gas.



(Chart by Standard & Poor's.)

In a survey of the outlook for armament stocks, Moody's say that the following companies should benefit - General Electric, Westinghouse Electric, Minneapolis Honeywell, Radio Corp., Bendix Aviation, Thompson Products. Among the aircrafts they like United Aircraft, Lockheed, Boeing, Douglass and Consolidated Vultee.

Leading Economists View the Business Outlook-

American Business in 1950- by Edwin G. Nourse - While depicting the fundamentals as strong, he cited the following as "gravely disquieting" - (1) the "injection" stimulating current prosperity in the form of \$2.8 billion G.I. insurance premiums, (2) the support from unprecedented increases in installment credit, and the drawing-down of wartime savings, (3) tremendous increase in mortgage credit, (4) vulnerability of supported farm commodity market, (5) postponability of further capital goods expansion, and (6) national sweep of pension plans. Above all, he stresses as crucial the government's fiscal and monetary operations as the crucial factor in our future. Where Are We and Where Are We Going? by Sumner H. Slichter -

He states we are in a transition from post-war "catch-up" period to a current-need "self sustaining" economy wherein employment and production drift slowly downward. Concludes (1) supplies, particularly of agricultural products, will become more abundant, (2) production costs will rise, (3) deficits will cause slow hesitant price level rise, and (4) increasing costs will worry business men into expanding technological research. The Business Outlook and the Security Markets- by Marcus Nadler - He predicts high business level will continue for at least six months, with subsequent developments unclear. States Treasury policies in imminent refunding operations will have important bearing on price of tax exempts and other high grade bonds. Regarding the stock market, he cites both favorable and unfavorable elements and advises exercise of maximum selectivity. Business in the 1950's - by Joseph L. Snider - He says that while we may expect some downturn in business and commodity markets before the year-end, 1950 will be as good as 1949. Scouts possibility of a serious business depression during the decade, particularly if we act with intelligence. The Business Outlook by Thomas W. Phelps - He warns present prosperity is no guide to the future. As demand factors making for good business, he lists war preparation, birthrate increase, increased installment buying, unrequited exports, and deficit financing. As offsetting important clouds over the business outlook he cites: (1) people's unwillingness to snap out of the post-1932 dream world of inflation, and (2) our loss of faith in competitive enterprise system and substitution of government controls for market incentives. (The items above are from the Commercial & Financial Chronicle).

The Security I Like Best-

Each of the following issues is a current favorite of some expert in the investment and advisory field. The reasons for choosing these issues are given in the Commercial and Financial Chronicle which is conducting a continuous forum.

Crown Zellerbach
Foote Mineral Co.
Mass. Bonding & Ins. Co.
Glidden
Lockheed Aircraft
Masonite
N.Y. New Haven & Hartford
Ser. A Conv. 4 $\frac{1}{2}$ of 2022
Madison Square Garden

United Carbon Corp.
Int'l. Business Mach.
Grand Union Co.
Columbia Gas System
Southern Pacific
Conv. Deb. 3s of 1960
American Airlines
Conv. Pfd.
Grumman Aircraft

Std. Oil of N.J.
Port of N.Y. Authority
Gen. & Ref. Bonds
Hackensack Water Co.
Studebaker Corp.
Beryllium Corp.
Fansteel Metallur. Co.
Hazeltine Corp.
Pittsburgh Metallur. Co.
Consolidated Eng. Corp.

W Perhaps reason, on July 19, stocks rose was pres. announced reduction of housing loan guarantees. This reduced inv. opp. in housing, turned funds to both stocks & commodities. But is housing big enough to do that? But the govt. guaranteed loan was more widespread than that, & general expectation of cessation of guarantees will drive funds to stocks. Buy now!

Wall St Jnl, June 13

Still Also say new cap. inv. to rise slightly now. New Commerce Dept Survey shows. But even so it will be less this yr. than last.

They still stress large quantity of munic. bonds to be sold.

W The 'quality' stocks have paced the bull. RRs esp, & other 2d graders, have lagged. At bottom of reaction, pick up a high quality for cap. gain. But take in more 2d qualities: Cal Pac, Kern Cty, L & N, pretty all good. Check Oronoat. Leslie Salt. I'm right here to keep an eye on them.

Studebaker? Texaco. Byron Jackson. Safeway.

I mustn't put exclusive weight on Δ bus. inv. Inv. in r.e. has risen, is going strong. Get total picture.

W Housing starts in 1st 4 1950 mo.s more 53% above '49.

"Business man's risks" are the kind of stock expected to improve.

W A large short interest now gives mkt technical strength.

June 16 - mkt way down this week. Time to put in bids? - below mkt of course.

Stocks in technical & educational fields should grow, as those with wartime education get rich & buy more. & higher education in general is growing. McGraw-Hill. others?

Anything on which you can get your money back for sure at any time doesn't pay much at all - naturally.

The others, with price movement, may fall - but they may rise.

Far & away the best system then seems to be to put aside some money solely for investment, never plan to use it in next 10-20 years. With this, buy diversified high yielding common. Keep the rest in something absolutely liquid. & don't mess with Mr. In-between. For the yields to be gotten from plots etc aren't worth bothering with, with the small amounts I have to invest - the time taken to pick a good one is worth more than the Δ yield.

So set aside something - \$2,000 - for commons; & put remainder in bank or other foolproof sec. Keep that \$2,000 to play with, keep rest for investing in self.

Why not invest it all in self?

On the \$3,500 remainder I can live for 7 yrs at \$500/yr, or $3\frac{1}{2}$ yrs at \$1,000/yr. - long enough to get a Ph.D. With G.I. bill I can live at \$30-50/mo. extra - also some extra in Vt. in summer. Then I'll splurge on some skiing & touring now & then - \$50-75/yr? - auto repairs, \$40-50, gifts - \$30, dates - \$100/yr? - or is that included in the

\$30-50/mo. probly. I can surely keep it under
\$1,000/yr. In fact, \$1,000/yr would be much
more than I ever spent before. At Reed I spent
nearer \$5/mo.

So the only reason for not putting \$2,000 in
common is that I want it to invest in some sort of
luxurious living or vacation - which would take up my
time as well as money.

So write Pressy, get dope on his B&L, if
it is absolutely foolproof go ahead & invest. - if any
doubt, use postal savings etc., or some bonds. It is insured, ok,
but sometimes they require notice before withdrawal, & sometimes they don't pay 3½%
& put \$2,000 in common.

Vick Chemical - may be a case of a company appearing dependent on one particular thing but actually not, having properties useful in many lines of business.

Kern Cty land may be another - considered an oil co. by mkt almost exclusively, actually having great irrigation potentialities

||| I will never get rich in stock mkt. Especially not now, when I know so little. I must never forget & go hog wild gambling. I will invest my money in license to develop my life: writing, courting, experiencing - e.g. looking for better ways of life, like Borsari, Mormons, etc.

Stocks right now are a temporary repository. When I am older & looking toward protecting my old age, when I may want them.

Another possibility is trying to maintain the cap. value & live only on the income from my stocks. This would probably pinch the niddy. But it is not to be entirely discounted. I shall begin by investing c. \$4,000., keeping rest as cash. If some of the \$4,000 pan out well, I can expand my holdings & live on income. If they don't, I shall use the cash.

\$2,000 common & \$2,000 preferred maybe.

I am fortunate to have Mr. Wiltsie's aid, might as well use it. As Dave says, he probably knows more than Woodruff. He is probably no world beater, but he is an experienced rentier, & a rentier is what I want to be temporarily. If Wiltsie were a world beater he would be the kind who put his money in his own business. But he is instead the kind who wants a good return & to retire to the woods - just what I want to be temporarily - so his advice is probly as good as any.

Preferred that is convertible into common at my option should be good: it offers security plus possible gain. Check with Woodruff on this.

With inflation now anticipated, - if I do - leverage stocks are good.

Wall St. Jnl., June 5, 1950

Bonds at lowest of year now - & big splurge of them coming in June, municipals, following many elections.
(but they were also low in June '49)

Big building boom still moving - costs rising (but lumber may catch up) - these rising costs should stifle boom eventually, & when they do, look for another stock mkt. rise. But now, I still expect a bit of a dip.

But L & N is not far above its '49 low, way below '46 high. It went down to $38\frac{1}{2}$ end last week.

Jnl. of Commerce, May 29.

Big ind. bond issues coming in June, too.

Treasury Bills sold at very slightly higher yield.

Mag. of Wall St., May 20 '50.

Their opinion, which is well nigh universal, is that speculation has not yet taken over this bull, & when it does is time to pull out, & not until.

(However all figuring is in terms of prices vs. yields, with no cognizance taken of Δ mr. It does not follow that high ratio of yield to price implies a rise forthcoming, necessarily, for mr not what it used to be.)

Rise has been more in 'inv. type' than 'spec.' stocks. (hence my finding that Merrill Lynch 'inv. type' recommendations had fared best) In spec. stock, only selective & well founded advance.

A 'summer rise' is traditional, & if it fails to come, a full collapse may.

In war, marginal firms went to town. Now sounder ones doing better. (a useful generalization to remember for various anticipated conditions) Don't miss the marginals now, when semi-war conditions prevail.

At low mkt in June '49, average yield of big name industrials was $7\frac{1}{4}\%$. It is now $6\frac{1}{4}\%$ - dividends having risen some, too.

Turnon in another slump, conservative mkt may send mkt up.

Stock yields were at $\angle 3.5\%$ at each major mkt. top since & including '29. '29, more 40% less than high grade bond yields. '37, = bonds; '46, exceeded bonds by 35% . (shows a marked preference for bonds, perhaps due to tax structure - which hasn't changed much since '46, so watch that 35% .)

Now, cur. stock yield exceeds high grade bonds by 140% .

Dividends at 55% earnings, c.f. 75% prewar.

Suggests keep interested now.

Let's check some back issues.

This is surely pretty convincing that mkt. will resume upward march - eventually. But not nec. now. But it may level off instead of falling. (but it was wrong)

Shows how it was anticipated, more than low mkt, '29

Unemployment, closely tied to investment, is something to watch. It is falling now, indicating I guess a pickup in investment. It is a more general indicator of Δ inv. than figures on 'business' plans, for it includes more. Booming construction, i.e. - & in 1950 we have such a boom.

~~Bull~~ mkt's in past have had reactions of $\frac{1}{2}$ to $\frac{1}{3}$.

Check the history of inv. opp. - see what happened in 1924 & ff, when mkt rose w/o interruption. to '29. Get old figures on employment & / or inv.

Chemical ind. has been expanding mightily, but will probably continue to expand more. After all, it is chemistry that makes textiles from rocks - & consider how ag. price supports will boom that sort of thing. It is chemistry that will exploit ocean.

Oil, as raw material, will go up - stick to Kern Cty. Land.

War, curbing foreigners, etc., means more exports, as well as govt. borrowing, all of which divert cap. from stocks.

Upturn in plans for business spending was definite in June 17 Bus. Week.

June Surv. C.B. emphasizes this strongly too - a real, solid Δ . I look for mkt to go way down, now, for bus. inv. seems to be climbing back to old levels. Add war, & you've got something.

The stock decline was due anyway. It started the week before Korean episode. War scares really touched it off. War scares, people treasure liquidity - they traditionally store gold, for security, & the idea is widespread that \$ are more secure than stocks. Besides, opportunities for profit in building up inventories. People will rush now to build inventories - buy commodities - & they sell stocks to get wherewithal.

Industry was starting to expand inventories again anyway, & the latest word in the ~~Journal~~ - before Korea - was that business inv. plans had expanded once again. So stocks should continue down a bit I think - people may rush to buy things, durables, for personal use, too, as they see war ahead.

So wait for a good, healthy drop.

People have better things to do with their m now than buy stock.

Even before Korea, jobs were easier to find. - due to A inv., no debt.

FRB, Apr. '50

Loans of all banks rose to \$48b in Dec '48. then levelled off, have changed little since, growing very slowly. - Nothing like before, when they rose from 30b in '45.

Holdings of other securities did not rise notably in the stock boom pd. So we cannot judge much from this. But the end of loan expansion is significant - tho timing not too close.

June 4 My tentative conclusion now is put money in bonds etc, probly Presser's, & wait for a big dip.

Watch the key indicators & be ready.

But one thing before quitting: consider an L&N purchase on on theory rails have not shared. But that is obviously impossible, all have shared in lower mrr (& will share in higher), rails have just had opposite influences. They went up until Jan., anyway.

Fairhead & Gordon, p. 723, say Fed. Sav. & Loan Ins Corp. is a public corp., like FDIC, insures accounts in B&L ass. Fed. Home Loan Bank is a bailer-outter, which lends at low mrr. So write Presser immedi. Then watch for the time.

This summer, dash off a little article on 'The Economics of Sex' If it is successful, do a thesis on it & publish a book - a real money maker.

The TV boom reflected trend toward durable cons. goods. This trend was consistent with rise of war stocks faster than others, for people were anticipating shortages of cons. goods.

~~Am't~~ Am't funds looking for inv.
Inv. opp.

M_x (antic?..)

Coming intl. or defl.

Demand for particular item
Supply of complements; labor &
raw.
Tax trends

Antic. yields in m.

Stock Price

The Journal of Finance, March '50

(inflation drives people from debt, makes them better credit risks, As com't of lending by doing inv. opp. Check ratio of debts to price level etc, see, if this process has run its course - I doubt that it has - this will keep up inv. opp, & as gap is gradually filled, stocks rise as inv falls, until we get saturated with in debt & a deflation proves permanent) (This is, to a degree, "institutional")

✓ p. 84. 1949, great decline in demand for bank loans, partly because of end of defl., & postwar shortages. He thinks the decline is permanent. I don't.

p. 83, He sums up demand & supply factors for ^{some securities} ~~stocks~~, & concludes supply will exceed demand, except that he expects postwar inv. opp. are over which will reduce desire to borrow & equate s & d (but, if he is wrong, & demand for loans revives, the mkt will fall) (& he was wrong)

✓ p. 25 1947, nonbank holders of gov. sec. unloaded, as better earning opp. developed. Then they mostly bought back in, in 1949-50.

✓ In war, rate structure of $3\frac{1}{2}\%$ on Treas. Bills to $2\frac{1}{2}\%$ on longer terms was maintained to '45. People then shifted so to long terms, FR bought shorts, Δ in fl.

✓ '46, banks were dropping gov't & doing private loans.

✓ p. 34 In June, '49, due to inv. recession etc, govt. bond demand Ad & private demand lifted their prices off the pegs, as investors moved into securities. (The present stock boom began c. Aug. 1, 1949).
In June, FRB dropped veiled hints they might let bonds go now, but dubious.

over

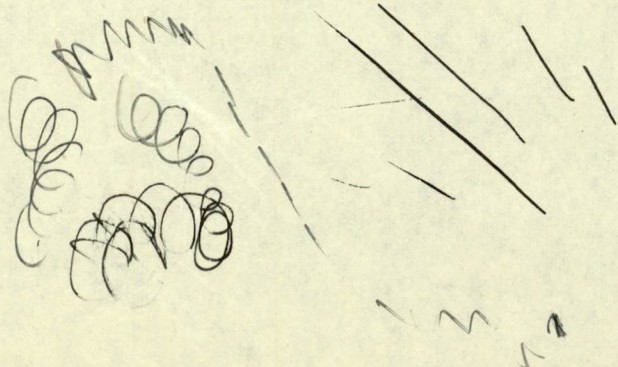
↓ The mag. of Wall St., June 3, 1950

Stock yields		Bond Yields	Stock yield as multiple of bond yield
1900-09	4.99%	4.49%	1.11
	6.33	4.88	1.30
1910-19		5.15	1.21
1920-29	6.22	3.98	1.48
	5.90		
1930-39		2.73	2.21
1940-49	6.04		
		4.25	1.46
50 yr. ave.	5.90		

So stock yields now are not higher than in past; but not lower, & bond yields much lower - which should spread over to stocks, sooner or later. - or v.v.

Dividends now tending up. Higher dividends, & lower mrs, should make a boom - did make a boom, rather. Trend now changing - watch it.

Stock boom so far has been in blue chips - should spill over to mediums next, & finally into speculatives.



Barrons, May 15, 1950

p. 15. Municipal debt now c. \$19.6 - cf. all time high of \$17.96 in 1933. Growth rapid, 1924-31, c. 1.56/yr. Now. c. \$36/yr.
Many more present bonds are liens on specific revenues, not gen. prop.
Many more safeguards today, because of bad memories.

(there is some opt. ratio of debt to resources that we feel comfortable at.
(ratio changes with time & inst.)
After inflation, credit can expand; in deflation, it must contract)

(when ^{inv. opp.} ~~inv. opp.~~ rises, people spend on faster; but less for stocks, & other pre-existing assets.)

Stock issues, new, have been few.

2. 'floating' supply of stocks small. Meaning most held by long term investors I judge, a boom is going to skyrocket things.

Even Barrons, which is consistently optimistic, mentions recent upward revision in business expenditure plans - p. 20. - but as a favorable thing.

I have not heretofore considered the war possibility very seriously. I had, & I still, think that there will be no all out war. It seems clear that border skirmishes will continue. But, as to all out war, we and the Russians both lack the will to destroy the other; and we both lack much incentive to expand, since we are both developing intensively so fast. We will dispute various border areas. The Russians will arm their satellites, and the satellites, irresponsible, will shoot around a bit, until they are tired of being beaten up. This will continue a long time. But neither of us is basically insecure, and neither of us wants to put forth the titanic effort required to subdue the other utterly. The border will not ever, perhaps, quiet down. We will each push and shove and probe weak spots. But they will never openly attack us, nor we them.

Possible flaw in this reasoning: they may be insecure in sense that leaders are forced to stir up war to prevent revolution at home. Same tendency in ourselves. But, historically, I don't think any country has ever gone to war to prevent revolution, unless the fact of ec. strangulation made conditions bad, so that war was not only a red herring, but also a solution. Hitler promised colonies, & with them ec. security & prosperity. Kaiser Bill wanted to bring ec. necessities under political control. Nap. III -- well, he probably was fighting that kind of war, when he attacked Bismarck. But then, really, it was Bismarck who attacked him, & Bismarck was trying to unify ec. unity politically, & France hindered.

When we return to Nap. I, we get a better parallel to Stalin. A revolutionary movement gone to extreme. Why did Nap. keep going? His first wars were defensive, or logical extensions of defense. But then he tried to impose too much on his ally and/or vassal, Russia, and she balked, and he went to war to discipline her. Meantime, he was imposing on all the other non-French also. His system, which perhaps reflected the French mentality, was designed to exploit the vassals for France. So Nap. kept going because he had to continue fighting forever in order to continue exploiting forever. Stalin's system is not like that. He has no one to discipline -- except Tito.

However we must consider some unique attributes of Russia today. Communism is a religion, which may have expansive force just for the love of the cause, lust for power, etc. Fear of resurgent Gy. involved. Her form of society is not limited to the same drives that dominated Gy etc. Gy. required political control over areas to trade with them as she wished. Russia requires same. We do also, to a much lesser degree. -- or is it so much lesser? But Russia is not expanding, ec-ly, as Gy was. She has a mission to fulfill in exploited borderlands, where all conditions are ripe for her. But what's in it for Russians? Something, to be sure, but nothing vital that I can see. Except that if they could take them all, easily, they would be much more secure. But they can't, and

DEPARTMENT OF COMMERCE

BUREAU OF THE CENSUS

WASHINGTON 25

IN REPLY REFER TO:

when this has become perfectly clear, and they have finally observed that we are not collapsing as they believe we will, they will relapse. Until they relapse, they will keep trying to expand the easy way. But not the hard way. We are evidently going to make it hard all the way from now on, so they won't do it.

So: do not buy extreme war stocks. Reckon on 10-15 years of skirmishing, war expenditures greater than at present. Try to see to what degree you differ from market opinion of future of war, & act accordingly.

But keep an open mind on this be prepared to change, if evidence warrants.

Journal of Commerce, May 23, 1950

Business has been hitting very active pace last few months, shows signs of slackening - reduced cap. expenditures by business - I wonder if they are up to date on this. Later on they say corps have revised their estimates upwards - & report this as a bullish factor - a common error.

Get chart of new inv., or of inv. c.f. it with stock price fluctuations shown on p. 106, BW, May 13 SCB, Apr. '50, has much.

Try to correlate inventory fluctuations & stocks.

Greater confidence in future has same effect as lower inv., but is much harder to measure & analyze. Yet it may be a more important variable. E.g. in 30s, stocks went down, not because inv. opp. lower, but confidence less.

We are now in the stage where people are investing greatly in things for their own use - houses, furniture. Of course our income tax structure encourages this.

~~GR recommends Sears All State - also Goodrich & General, but they cost much more. (ask Al about Hic attitude driving)~~

~~Speech: Leon E. & the wife.~~

July 19: Following stock fluctuations in papers, & war news, it has been very striking, the inverse daily relationship of stock & commodity prices. Yesterday, N. Koreans stopped, stocks rose, commodities fell - first time for weeks either had not done opposite. People must shift freely between them - some people anyway. But why 19, Ft. Trimmer's request for \$10b., both rose - antic. infl. drove both up? Or funds pouring into both from quickly mobilized sources?

It is doubtful if inv. will be low, now, for years, maybe generations. Keynes is kaput - a war casualty. We will know how to use more cap. than we have, at high returns, for a long time. So do not accept low returns. But do not expect cap. gains, either.

Business Wk., May 13 1950

p. 19. Inventories climbed to a peak about March, '49, then fell to Dec. '49, then levelled. B.W. thinks they are starting to climb again. But it is just a very cautious beginning - if that. (But this corroborates my general impression of current situation - a time when inv. will be going into real things, out of stocks, mkt will fall.)

Is not (yet) speculative, but just a necessity for larger inventories because production going full throttle.

p. 106 - Wholesale commodity prices are starting up again, due to great demand from industry. This taken as a warning - not for any reason except that it happened before, once - but that was not nec. same situation.

(this further substantiates my contention that m. is to drain out of market into other uses - indeed, that 'basic' money already is, & the speculative elements are what are pushing them up now, building up to an awful let-down.

In the '49 recession, corp. working cap. fell markedly - this is part of same trend - they reduced inventories, held other assets. - i.e., converted them into other assets.

Get the effects of devaluation, too. - reduced inv. opp. in exports, drove mkt up. Now, with Korean war, we will be investing in things to produce arms etc, sending arms abroad - but this doesn't come as lending, but taxing - imponderable, but probably drive m. up a bit.

Business Week, May 20, 1950

p. 19. A downturn in cap. spending by business began in early '49. Now has been a widespread revision upwards. (This would make me predict a coming stock mkt fall - a short term affair of course, but that is what I am looking for now. Nadir was in 1950 1st qtr. In 1950, a McGraw-Hill survey showed "business" planned to spend \$12.4 b on 'new plant & equipment' during ~~the~~ '50. - a drop of 13% from what they did spend in '49. As of mid-May, plan to spend \$13 b - still 7% below '49. Will spend 3% more in 2d $\frac{1}{2}$ '50 than 1st. - 1st increase in $1\frac{1}{2}$ yrs. Cap. outlays hit peak in Dec '48, falling since.

Cause, in $>\frac{1}{2}$ cases, is better present bus. conditions, which make business think we are headed for stable prosperity. But many say 'technological advance' causes change, or their mkt's have permanently expanded. (over)

They give list of individual industries plans, too. I suppose an industry that stopped expanding would start acquiring stocks in related co.s, drive up stocks. But cause of its expansion cessation might be other: eg, lack of demand. Would have to know which it was.

Expectation of federal deficits this year, fear of inflation returns. Esp. with war.

The divergence between short & long term mrr has declined since '41. Short term rate has risen, long term has fallen. Ellis used to talk about this a great deal.

	1941 ave.	May 1949	Apr 1950	May 1950
4-6 mo. prime comm. paper ^{NYC.}	$\frac{1}{2}$ %	$1\frac{1}{2}$ %	$1\frac{1}{4}$ %	$1\frac{1}{4}$ %
High grade corp. bond Aaa	2.77 %	2.71 %	2.59 %	2.61 %
90 stocks	78	118	143	145
Call loans, NY stock exch	1 %	$1\frac{1}{2}$ %	$1\frac{1}{2}$	$1\frac{1}{2}$

(On the bonds, inflation has taken all risk from them so of course their price rose. The short term prime commercial paper is more indicative I think - shows mrr rose to a peak in '49, now is a little lower. Call loans, being used for stock xactions, again are not so indicative, for as inv. opp. fall, stocks rise, & this source is tapped to buy them - this is probly why it didn't fall in '50.

But sht. term commercial paper is perhaps affected by U.S. fiscal policy also - check that)

check this.

If it is 'rising costs', or slowdown of techn. advance, or of permission to use techn. advance, this is not so evident a cause of bust as declining demand - for declining demand hits existing cap. too - so expectations of future for existing cap. stay high, despite higher costs -- & new inv. may continue to occur, tho abated, despite high costs. This combination causes bull mkt's, good solid ones. When the improved expectations completely conceal the fact of reduced inv. opp., you get a '29.2. Cutting off source of cap. exp. in '30 etc also involved in fall. ^{also, when high % of earnings goes as dividends, because no inv. opp.}

Cause of upturn in bus. plans was in part probly fall of h.p.s, which were shaky on their new high ground.

	1941	May '49	Apr '50	May '50
Perm. dep. ^{rpt. member banks} adj.	27.7	45.9	46.5	46.9
Loans & inv. ^{rpt. member banks}	32.3	62.0	66.6	66.4
Comm. & ag. loans	6.9	13.9	13.7	13.3
"Securities / items," "	1.0	1.8	2.3	2.4
Govt & govt guaranteed	16.0	34.1	35.9	35.9
Other Sec	4.3	4.4	5.6	5.6
Excess res., all member banks	\$5,390 m	879 m	750 m	760 m
Fed res. credit outstanding	2,265 m	20,559	18,068	17,978

This gives a picture of inflation potential, which is another big factor in stocks. Are we reapproaching the time when excess reserves will dwindle away & force a cessation of lending? From other facts, I doubt it.

Govt. borrowing not nec. infl. - it may borrow from existing m. Indeed, if other inv. opp. wane, it is likely to. So I do not anticipate any immediate inflation. Above figures don't lead to infl. betw. forecast - but check with previous trends.

Tho the amts involved are small, the trend is clear to increase securities loans, reduce productive loans. Rather it is clear this happened in right up to present, & may be levelling or reversing. Which adds to probability that stock mkt boom is to end soon for a while - preferred stocks being hit also, it being a mr change, not a yield change - pfd being hit even more than common.

Keep close current tabs on ~~tendency~~ trend toward increasing dividends & reducing plumbucks, see if it isn't temporarily reversing now too. That would complete the picture.

p. 118 "War" stocks: steel, aircraft mfg, r.r. equipment, & shipbuilding. They have risen much more than others since Jan '50. In fact, 'peace' stocks - retailers, food processors - haven't risen much at all - but started from a higher base, because then people worried about a depression & bought put premium on depression-proof stocks.

Union Oil
Sinclair.

Good ptds are very high now.

Public Utility ptd. & lucrative
less than industrial.

Corp. bonds too high now.

Convertible preferreds.
p. 8 Merrill Lynch

Pretty unstable.

—
Lery suggests various utility
commons. incl. AT&T — which is
some doubt if \$9.00 will be retained
because of recent financing, but now
it looks that way. <sup>Some will, with new
inflation</sup>

S. Cal. Edison

PG&E — pay a little better than other Util.

Ohio Edison

Sou. Nat. Gas.

or
Utility pfd.
AT&T

Source: C.E.A., Apr. 1950, 'Ec. Indicators'

U.S. Bank Loans; Govt sec; other sec.				
	1929.	\$36.6	5	9
NB	1939	\$17.6	16	7
	1945	26	90	7
	1950	43	67	10

Notable facts: a) In 30s, private lending did not recover, & expansion of lending to govt. did not compensate.

b) Boom expansion in loans after '45 - it unravelled off c. '47.

c) Reduction of govt. holdings after '45.

d) Small change in other sec.

e) Appreciable go credit is now private - hence collapsible.

Edwin Phelps, 260 Wood.

Dave Wilson's dad recommends
Vick's new.

& L & N RR

Texaco.

Thinks it a time to be conservative.

Bought L & N at $37\frac{7}{8}$

Bought 50 Texaco for 3,112.

$$\begin{array}{r} 62. \\ 50 \overline{) 311} \end{array}$$

Many ptcls have shown great
price fluctuations over last 10 yrs.
So they're not so damned safe.
Watch that. If I'm going to
need the money in the next few
years I'd better buy bonds, or
Bldg. & Loan. - after checking that
guaranteeing organization.

Check Burroughs

Corp. bonds pay c. $2\frac{1}{2}\%$ - I
can do better.

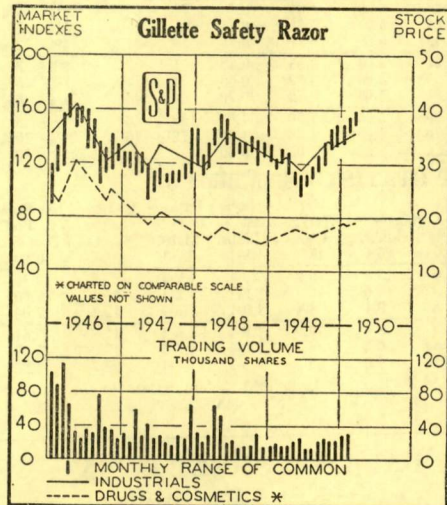
Pacific Gas & Electric	33 ³ / ₄	-	<u>4200</u>
Montgomery Ward	54	-	<u>300</u>
Gillette S. R.	(5.2)	95	- <u>500</u>
Wesson Oil & Snowdrift	(4.7)	85	- <u>400</u>

10	Wesson Oil & Snowdrift	Pfd	856	
10	Gillette	Pfd	680	
20	Pac Gas & Elec			
10	Pitts, At Wayne & Chicago	buy in 10s	155	7-
			<u>2492</u>	

Stock—
COMMON -----
\$5 CONV. PREFERENCE -----

Approx. Price	Dividend	Yield
39½	*\$3.00	27.6%
96½	5.00	5.2

RECOMMENDATION: Aggressive advertising has kept the company in the forefront in the domestic razor blade industry, and acquisition of Toni Company has broadened the earnings base. Earnings prospects are favorable, and the COMMON is a promising holding of the business man's risk type. The PREFERRED may be held for the liberal return.



CHARACTERISTICS OF STOCK

The common is speculative, because of severe competition in the field. The status of foreign markets and currencies will have a bearing on price fluctuations.

COMMON SHARE EARNINGS

Quarter—	1949	1948	1947	1946	1945	1944
March	\$1.06	\$1.66	\$1.28	\$1.16	\$0.27	\$0.27
June	0.94	1.50	0.95	1.00	0.29	0.29
Sept.	2.13	1.80	1.05	1.07	0.44	0.27
Dec.	32.13	1.84	1.83	1.32	0.74	0.42
12Mos. Dec.	36.26	6.80	5.11	4.55	1.74	1.25

Despite lower shipments of Toni products during the first half, preparatory to introduction of the new spin curler set, overall volume gained 5.4% in 1949. Special expense related to the new Toni product narrowed margins, and taxable earnings are indicated to have declined. With the tax rate apparently about unchanged, preliminary net decreased about 7.2%.

Subsequent earnings comparisons have probably been favorable.

NEAR TERM PROSPECTS

Earnings-Dividend Forecast

Earnings for 1949 were \$6.26 a common share (preliminary), compared with \$6.80 in 1948. A gain appears likely this year. Dividends, supplemented in January by an extra of \$1, have been raised to \$0.75 quarterly with the April, 1950, payment; continuance at about this rate is likely.

The outlook for razor blades sales continues favorable. The "Quick Shave Kit" has been well received. Foreign razor blade sales probably will continue relatively stable. The Toni division went through a transitional period during the first five months of 1949, with trade inventories of the older line being worked off, prior to introduction of the spin curler. The company's over-all volume may exceed last year's peak.

Foreign currency devaluations are expected to have no appreciable effect on earnings, with reserves considered adequate. With special expense probably absent in the Toni division, earnings appear likely to increase.

LONGER TERM OUTLOOK

Principal Profit Factors

Profits are largely determined by sales of replacement blades. Advertising normally is an important cost factor.

Competition in the razor blade field is unusually keen, making for narrow margins. Heavy advertising is necessary. The Toni acquisition broadened the earnings base.

DIVIDEND DATES

Approximate ex-dividend dates are: Pref., Dec. 29 (payable Feb 1); Com. Apr. 4 (payable Apr. 25); both quarterly.

Dividend meetings usually are held around the middle of the month preceding ex-dividend date.

¹Listed N. Y. S. E. and Midwest and San Francisco S. Es.; com. also listed Boston S. E. and traded Phila.-Balt. S. E. ²Rate indicated by latest quarterly, excluding \$1 extra on Jan. 5, 1950. ³Preliminary.

STANDARD LISTED STOCK REPORTS

STANDARD & POOR'S CORPORATION

Published at Orange, Conn. Editorial & Executive Offices, 345 Hudson St., New York 14, N. Y.

INCOME STATISTICS (Million \$) AND PER SHARE (\$) DATA

Year Ended Dec. 31	Net Sales	% Oper. Inc. of Sales	Ratio of Sales to Invent.	Deprec. & Obsol.	Income Taxes	¹ Net Income	—\$5 Preference— Divs. Paid	—Common— ¹ Earns.	Divs. Paid	Price Range \$5 Pref. 97 - 90 Common 39½ - 33½
1950	---	---	---	---	---	---	22.50	---	---	---
1949	90.52	---	---	---	---	13.92	49.45	6.26	3.25	91 - 79½
1948	85.86	31.6	6.2-1	0.97	10.57	15.00	53.30	5.00	6.80	96¼ - 87
1947	59.56	34.8	6.2-1	0.74	8.81	11.63	41.31	5.00	5.11	105½ - 95½
1946	51.76	39.8	7.9-1	0.51	10.87	10.50	37.31	5.00	4.55	108 - 102½
1945	37.85	39.8	17.2-1	0.35	9.71	4.89	17.38	5.00	1.74	105½ - 90
1944	33.47	39.8	17.6-1	0.35	8.12	3.89	13.82	5.00	1.24	90¼ - 69
1943	27.64	40.4	12.7-1	0.37	6.54	3.49	12.39	5.00	1.04	74 - 60¾
1942	24.42	40.8	11.7-1	0.39	5.64	3.11	10.84	5.00	0.82	61 - 40½
1941	22.79	35.9	9.6-1	0.38	4.03	3.12	10.49	5.00	0.81	54 - 34½
1940	19.30	32.8	12.9-1	0.40	2.78	2.60	8.67	5.00	0.55	51¾ - 30¾
1939	18.02	35.4	12.9-1	0.46	2.39	3.29	10.95	5.00	0.89	54 - 43½
1938	15.81	31.8	5.3-1	0.50	1.86	2.94	9.81	5.00	0.72	61 - 40½
1937	17.97	35.8	6.6-1	0.52	1.33	4.50	15.00	5.00	1.50	88½ - 56
1932	---	---	---	0.69	0.85	5.51	17.76	5.00	1.98	72½ - 45
1929	---	---	---	0.93	1.19	10.24	---	---	4.65	143 - 80

PERTINENT BALANCE SHEET STATISTICS (Million \$)

Dec. 31	Total Assets	Cash Items	Inventories	Receivables	—Current— Assets Liabs.	Net Workg. Cap.	—Current Ratio— Assets to Liabs.	% Inv. Cash to Liabs.	(%) Book Val. Pref. & Com. Sh.
1948	78.3	16.6	13.8	10.5	41.0	23.1	17.8	1.8-1	0.7-1
1947	61.4	19.5	9.6	5.8	35.0	15.8	19.2	2.2-1	1.2-1
1946	52.0	16.3	6.5	5.1	27.9	12.6	15.3	2.2-1	1.3-1
1945	40.6	14.0	2.2	1.7	17.8	8.4	8.4	1.9-1	1.5-1
1944	36.4	12.6	1.9	2.0	16.5	8.6	7.9	1.9-1	1.5-1
1943	33.0	9.1	2.2	1.5	12.8	6.3	6.5	2.0-1	1.5-1
1942	30.0	6.7	2.1	1.3	10.1	4.0	6.1	2.5-1	1.7-1

¹After contingency reserves of \$0.11 a common share in 1943 and \$0.21 in 1944; in 1945, before certain foreign earnings of prior years of \$1.15 a share. ²Two regular quarters. ³\$0.75 on Apr. 25, \$0.62½ on Jan. 25 and \$1.00 extra Jan. 5.

*Preliminary.

ANALYSIS OF EARNINGS AND BALANCE SHEET DATA

Fundamental Position—Speculative

Gillette Safety Razor is the leading manufacturer in its field, with sales far above those of the next largest producer. The chief brand names are Gillette, Probak, Teck and Valet.

Distribution is world wide. Foreign sales, the greatest portion of which are in England, have held up well, except in Continental Europe, particularly in occupied or liberated countries. Foreign business accounts for about 50% of razor blade earnings.

Foreign assets and related liabilities and reserves (principally in the Western Hemisphere and Great Britain) are believed to aggregate about 15%-17% of assets, with about \$3 million on a non-consolidated basis.

The wholly owned subsidiary, Toni Company, of Chicago, acquired in January, 1948, makes a cold home permanent wave kit and shampoo. Sales of Toni apparently were about 24% of 1949 total.

CAPITALIZATION

Long Term Debt: None.

\$5 Cum. Conv. Preference Stock: 281,451 shares (no par); redeemable at \$105; convertible share for share into common.

Common Stock: 1,998,769 shares (no par).

Earnings-Dividends—Satisfactory

Sales have trended upward since 1935. Increased sales promotion and advertising outlays narrowed margins from 1936 to 1940, but an easing of competition during the war years permitted a better showing thereafter. Moreover, war work aided 1943 and 1944 profits. Despite higher taxes, absence of reserves raised 1945 net. Larger sales and lower taxes lifted profits sharply in 1946. Margins narrowed in 1947, but lower taxes raised net. Inclusion of Toni Company raised 1948 profits, but a changeover of Toni product cut 1949 net.

Common dividends, paid in every year since incorporation, have been liberal.

Finances—Satisfactory

Finances were strengthened through retention of a good portion of 1947 earnings. The cash payment of \$11,500,000 for the Toni Company in January 1948 was financed partly by a \$5,000,000 term loan, paid off in 1949 long before maturity.

Some \$3,000,000 additional payments are to be made out of future earnings of Toni Company, as part of the purchase price, by sharing profits 50-50 with former owners. Payments to latter, starting in 1950, probably will be charged to surplus.

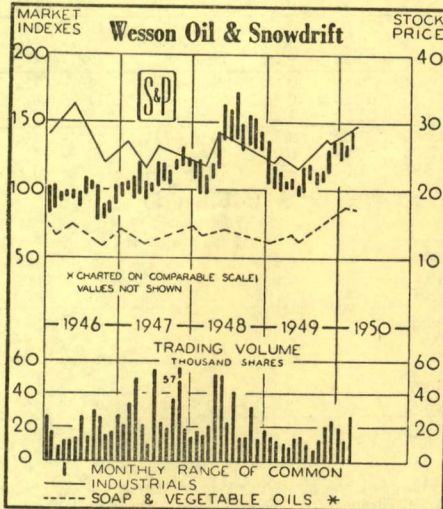
Incorporated in Delaware in 1917. Office—15 W. First Street, Boston 6. President—J. P. Spang, Jr. Secretary—A. H. Stonestreet. Treasurer—C. J. Gilbert. Directors—W. A. Barron, Jr. (Chrm.), L. D. Brace, J. F. Brownlee, S. D. Clough, E. Cooper, A. A. Garthwaite, N. P. Hollowell, I. B. Harris, R. N. Harris, T. C. Harrison, L. H. Leary, E. L. Mullaney, J. P. Spang, Jr., D. B. Stern, S. Weeks, L. H. Young. Transfer Agents—Old Colony Trust Co., Boston; (Pref.) Central Hanover Bank & Trust Co., N. Y. C.; (Com.) New York Trust Co., N. Y. C. Registrars—(Pref.) New York Trust Co., N. Y. C.; State Street Trust Co., Boston; (Com.) Bankers Trust Co., N. Y. C.; National Shawmut Bank, Boston.

NOTE—Information and advice are furnished without representation or responsibility as to accuracy or completeness and without liability for any act or omission in collecting or providing the same. Printed in U. S. A.

Stock—	
COMMON	-----
\$4 CONV. PREFERRED	-----

Approx. Price	Dividend	Yield
28	^a \$1.40	^a 5.0%
84 $\frac{3}{4}$	4.00	4.7

RECOMMENDATION: The COMMON stock is too speculative for the average investor because of the prospect of widely fluctuating raw material prices and irregular earnings over the longer term. The yield on the inactive PREFERRED is fair.



CHARACTERISTICS OF STOCK

Price fluctuations, usually reflecting price changes for lard and cottonseed oil, often are wide, particularly since the common stock is heavily leveraged by the senior capitalization and large sales per share.

*COMMON SHARE EARNINGS

Quarter—	1949-50	1948-9	1947-8	1946-7	1945-6
Nov. -----	\$0.85	\$0.87	\$1.05	\$1.05	\$0.23
Feb. -----	1.02	d0.01	1.90	6.13	0.37
May -----		0.42	6.29	1.46	0.56
Aug. -----		1.74	7.13	2.94	2.79

Sales declined 22% in the fiscal year ended August 31, 1949 reflecting lower product prices; tonnage volume was up 12%. The sharp decline in vegetable oil prices narrowed margins, and final net dropped 77%.

Lower average product prices reduced sales 27% in the six months ended February 25, 1950. With the inventory losses of a year earlier absent, however, margins improved and net income gained 74%. In the February 1950 quarter the company earned \$1.02 a share against a common deficit of \$0.01 in 1948-9.

NEAR TERM PROSPECTS

Earnings-Dividend Forecast

Earnings for the fiscal year ending August 31, 1950 are expected to rise to about \$4.00 a share, from the \$3.02 of 1948-9. The \$0.35 quarterly dividend should continue, and may be supplemented by an extra.

A high operating rate is indicated for the current fiscal year by the large cotton crop and well sustained demand for cottonseed oil and the company's other products. The repeal of the Federal taxes on margarine effective July 1, 1950, and removal of onerous State restrictions should stimulate demand for cottonseed oil.

Margins may level out over the near term as oil prices may stabilize following the rise in recent months. At the close of the 1949 fiscal year, the company transferred a \$7,200,000 reserve to surplus, in the belief that oil prices were close to a normal level.

LONGER TERM OUTLOOK

Principal Profit Factors

Profits vary not only with the foresight shown in cottonseed purchasing policies but also with price trends of oil products, which in turn are influenced by changes in the world supply and demand situation for fats and oils. The supply has been very tight in recent years because of war influences but is easing.

DIVIDEND DATES

Approximate ex-dividend dates are Pfd., Nov. 10 (payable Dec. 1) and quarterly, Com., one month later.

Dividend meetings usually are held on the last Tuesday of the month preceding the ex-dividend date.

¹Listed N. Y. S. E. and traded New Orleans S. E. ^aAdjusted for 2-for-1 split in Aug., 1948.
^{*}Indicated rate. d Deficit.

STANDARD LISTED STOCK REPORTS

STANDARD & POOR'S CORPORATION

Published at Orange, Conn. Editorial & Executive Offices, 345 Hudson St., New York 14, N. Y.

INCOME STATISTICS (Million \$) AND PER SHARE (\$) DATA

Year Ended Aug. 31	Net Sales	% Oper. Inc. of Sales	Ratio of Sales to Invent.	Deprec. & Amort.	Income Taxes	⁴ Net Inc.	\$4 Cv. Pfd. ² Earns.	³ Common— Earns. Divs. Pd.	¹ Price Range \$4 Cv. Pfd. ² Common
1950--	---	---	---	---	---	---	---	1.05	85½- 83½ 28%- 24%
1949--	173.6	5.0	7.5-1	1.45	3.40	\$4.69	16.06	3.02 1.40	84¾- 78 27%- 19¼
1948--	223.0	15.4	8.0-1	1.24	13.59	20.26	69.37	16.37 3.87½	86½- 80 34½- 19½
1947--	194.0	13.6	6.5-1	1.22	11.20	14.67	50.23	11.57 3.12½	90 - 83¾ 26%- 18%
1946--	126.4	9.0	5.2-1	1.02	5.75	5.76	19.74	3.94 0.75	89½- 85½ 21%- 15¾
1945--	126.8	6.4	5.6-1	1.02	5.00	2.82	9.66	1.42 0.75	89½- 84¾ 19½- 12
1944--	117.7	5.9	5.2-1	0.97	3.80	2.49	8.53	1.14 0.75	85½- 77 12%- 11½
1943--	120.4	10.7	6.1-1	0.91	8.44	3.11	10.60	1.67 0.50	79¾- 69 13¾- 9
1942--	84.7	5.7	4.6-1	0.84	1.92	2.26	7.73	0.94 0.50	71½- 59½ 10½- 7½
1941--	66.9	10.2	4.1-1	0.80	2.52	3.77	12.91	2.23 1.00	74½- 65½ 12%- 8¾
1940--	54.0	5.2	3.8-1	0.78	0.55	1.61	5.51	0.38 0.25	75 - 58¾ 14¾- 7%
1939--	50.4	0.5	2.5-1	0.78	0.17	d0.52	d1.80	d1.45 0.43¾	79 - 55¼ 14¼- 8
1938--	61.3	7.2	3.0-1	0.70	0.84	3.07	10.49	1.64 1.25	82¼- 71 19½- 12%
1937--	70.1	7.1	3.9-1	0.82	1.00	3.39	11.53	1.90 2.25	84½- 73¾ 28 - 14½
1932--	30.8	9.2	2.3-1	0.71	0.34	2.11	7.04	0.69 0.75	58½- 42¾ 10 - 4½
1929--	67.0	5.7	5.5-1	0.95	0.38	2.55	8.37	1.04 1.00	72½- 49½ 27¾- 10

PERTINENT BALANCE SHEET STATISTICS (Million \$)

Aug. 31	Total Assets	Cash Items	Inventories	Receivables	Current Assets	Current Liab.	Net Workg. Cap.	Current Ratio— Assets to Liab.	% Inv. of Cur. Assets	² (\$) Book Val. Com. Sh.
¹ 1950--	94.6	7.7	39.2	10.7	57.6	19.6	38.0	2.9-1	0.4-1	43.06
1949--	82.6	13.0	23.1	10.3	46.5	9.3	37.1	5.0-1	1.4-1	41.53
1948--	86.3	16.5	27.9	10.6	55.1	14.9	40.2	3.7-1	1.1-1	39.91
1947--	75.3	10.8	29.8	9.1	49.7	18.4	31.4	2.7-1	0.6-1	27.52
1946--	62.0	8.3	24.3	5.9	38.5	15.4	23.1	2.5-1	0.5-1	18.64
1945--	57.0	7.2	22.8	5.3	35.3	13.0	22.2	2.7-1	0.6-1	16.37
1944--	53.8	4.9	22.6	5.4	33.0	10.5	22.5	3.1-1	0.5-1	15.77
1943--	56.8	13.0	19.7	4.5	37.3	13.9	23.8	2.7-1	0.9-1	15.36
1942--	48.0	3.4	18.4	6.9	28.7	7.0	21.7	4.1-1	0.5-1	13.74
1941--	46.2	6.0	16.2	5.2	27.5	5.7	21.8	4.8-1	1.1-1	13.29
1940--	41.8	5.8	14.3	3.9	24.0	2.6	21.4	9.3-1	2.2-1	12.17

¹Calendar years. ²Adjusted for 2-for-1 stock split effected in 1948. ³Dividends paid regularly. ⁴After special reserves of \$0.60 a common share in 1943; after transfer from reserves of \$0.69 in 1946; before provision for possible inventory losses of \$6.17 a share each in 1948 and 1949. ⁵\$0.35 each on Apr. 1 and Jan. 3, 1950 and Oct. 1, 1949. ⁶As of Feb. 25. ^dDeficit.

ANALYSIS OF EARNINGS AND BALANCE SHEET DATA

Fundamental Position—Entrenched

Wesson Oil & Snowdrift presses one-eighth of the cottonseed crop in this country and supplements this production with large purchases of crude cottonseed oil. The company does about one-fifth of the country's cottonseed oil business.

About 75% of its tonnage is sold in bulk, but Wesson Oil and Snowdrift, its two nationally advertised branded products, are important revenue producers.

Exports, usually insignificant, are probably more important currently because of the abnormal situation abroad. The company has many other activities, of which the most important is fertilizer production.

Virtually all of the company's plants are in the South, but cottonseed oil refineries also are owned in Bayonne, N. J., and Chicago.

CAPITALIZATION

Funded Debt: None.

\$4 Cum. Conv. Preferred Stock: 292,000 shares (no par); redeemable at \$85; convertible into two shares of common.

Common Stock: 1,166,000 shares (\$2.50 par).

Earnings-Dividends—Erratic

Operations in the years immediately prior to 1939-40 were adversely affected by unfavorable cost-price relationships and year-end inventory writedowns, which reached a peak in 1938-9. The upturn in the next two years reflected higher selling prices. Price controls and heavy taxes restricted profits in 1941-5, despite record sales. Improved margins and tax relief aided the upturn in 1945-6, while substantially higher selling prices and lower tax rates resulted in record 1946-7 and 1947-8 earnings. Sharply lower oil prices pared 1948-9 net.

Dividends, paid on the common in every year since 1927, have been conservative in recent years. The common stock was split 2-for-1 in August, 1948.

Finances—Strong

At February 25, 1950, the working position was strong with current assets nearly three times current liabilities. About 68% of current assets consisted of inventories. The rise in inventories and the decline in cash items from August 31, 1949, levels reflected seasonal factors.

Incorporated in Louisiana in 1925. Office—210 Baronne St., New Orleans 12. President—A. Q. Petersen. Secretary—W. F. Hoerner. Treasurer—C. M. Carriere. Directors—K. W. Berry, E. F. Creekmore, R. F. Crow, A. B. Freeman, W. F. Guinea, L. C. Haskell, R. S. Hecht, O. G. Lucas, A. Q. Petersen, W. A. Sherman. Transfer Agents—The National Bank of Commerce in New Orleans; (Com.) Guaranty Trust Co., N. Y. C.; (Pfd.) City Bank Farmers Trust Co., N. Y. C. Registrars—The Hibernia National Bank in New Orleans; (Com.) Chase National Bank, N. Y. C.; (Pfd.) Chemical Bank & Trust Co., N. Y. C.

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Printed in U. S. A.

Stock—
CAPITAL -----

Approx. Price

Dividend

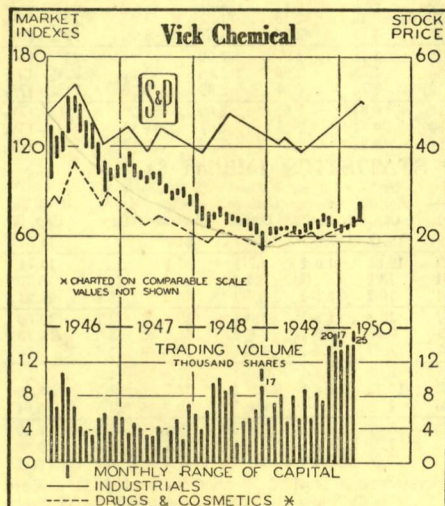
Yield

26 1/4
 25 1/2

\$1.20

4.6%

RECOMMENDATION: The company holds a strong position in the cold remedy field and in addition has achieved good diversification. The shares are a satisfactory holding, primarily for income.



CHARACTERISTICS OF STOCK

The stock is a semi-investment issue because of the company's steady earnings and conservative capitalization. The company's success in promoting its ethical and fine chemical lines, together with the trend in raw material costs, probably will be the principal market factors.

*CAPITAL SHARE EARNINGS

Quarter—	1949-50	1948-9	1947-8	1946-7	1945-6
Sept. -----	\$1.46	\$1.37	\$1.28	\$1.67	\$1.04
Dec. -----	0.84	0.71	0.90	0.92	0.89
March ----		0.74	0.46	0.32	0.46
June ----		d0.03	0.03	0.16	0.39
12 Mos. Dec.	3.01	2.57	2.66	3.44	2.57

Sales gained about 1% in the fiscal year ended June 30, 1949. Lower costs widened margins, but larger special charges, including adjustments on foreign interests, held the gain in taxable earnings to 9%. With the tax rate higher, net rose only 2.5%.

In the six months through December 31, 1949, sales were up 3.3%. Improved margins and smaller special expenses raised taxable earnings 12%. After higher taxes, net increased 10%.

NEAR TERM PROSPECTS

Earnings-Dividend Forecast

Earnings for the fiscal year ending June 30, 1950, are estimated around \$3 a share, compared with \$2.79 in 1948-9. The \$0.30 quarterly dividend may be supplemented with an extra.

Sales of the Baker Chemical division probably will hold up well, with some gain possible in view of increased productive capacity. Sales of veterinary medicines and supplies probably will show some gains. The company's ethical anti-histamine is expected to show satisfactory growth. Sales of Vick remedies probably will continue about in line with those a year earlier. Over-all volume probably will show a full-year gain.

Manufacture of DDT was abandoned in June 1949, suggesting better margins for the Baker Chemical division, with its pharmaceutical chemical line expanded. Foreign holdings are covered by reserves, assuring avoidance of charges in this direction. Earnings probably will gain.

LONGER TERM OUTLOOK

Principal Profit Factors

Sales of proprietaries are determined by the extent of respiratory diseases and the effectiveness in meeting competition. Margins have narrowed somewhat in recent years, partly as a result of higher raw material prices.

Acquisition of ethical and fine chemical lines, as well as the veterinary medicines unit, has lessened dependence on the cold remedy products. Further progress in diversification is likely.

DIVIDEND DATES

Approximate ex-dividend dates are Aug. 16 (payable Sept. 5) and quarterly.

Dividend meeting dates are irregular.

¹Listed N. Y. S. E. ²Adjusted for 2-for-1 stock split in March, 1946. ³Indicated rate. d Deficit.

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INCOME STATISTICS (Million \$) AND PER SHARE (\$) DATA

Year Ended June 30	Net Sales	% Oper. Inc. of Sales	Ratio of Sales to Invent.	% Earn. on Inv. Cap.	Deprec.	Income Taxes	Net Income	Earns.	Capital Stk.- Divs. Paid	*Price Range Cap. Stk.
1950					0.62	2.90	3.93	2.79	120.90	27% - 20%
1949	42.0	18.6	3.7-1					1.20	25 - 20	
¹³ 1948	41.7	¹⁰ 14.6	3.7-1		¹¹	2.43	3.83	2.70	1.20	29 1/2 - 19 1/2
1947	41.8	¹⁰ 16.1	3.5-1	21.4	¹¹	2.91	⁵⁴ 3.35	⁵³ 3.06	1.50	35 - 26 5/8
1946	37.2	¹⁰ 17.9	4.1-1	19.4	¹¹	3.35	⁶³ 3.80	⁶² 2.74	1.35	51 1/2 - 30
¹⁴ 1945	35.6	17.6	4.3-1	17.4	0.35	3.35	⁶² 2.74	⁶² 2.01	1.00	35 1/2 - 24 1/2
¹⁴ 1944	32.0	20.2	3.8-1	20.0	0.36	3.42	⁶² 2.46	⁶¹ 1.81	1.00	25 1/2 - 20 1/2
¹⁴ 1943	28.3	23.3	4.8-1	21.6	0.32	3.61	⁶² 2.26	⁶¹ 1.66	1.00	23 1/2 - 20 1/2
1942	18.4	25.8	3.2-1	20.9	0.18	2.22	2.21	1.62	1.20	21 - 15
1941	12.8	32.5	4.8-1	25.9	0.10	1.08	2.80	2.06	1.50	22 1/2 - 19 1/2
1940	11.4	35.1	5.4-1	29.3	0.10	0.76	2.79	2.03	1.50	24 1/2 - 17 1/2
1939	10.8	31.7	6.0-1	26.9	0.10	0.64	2.80	2.00	1.20	22 1/2 - 17 1/2
1938	9.0	29.3	4.1-1	24.2	0.09	0.44	2.25	1.61	1.20	21 - 15 1/4
1937	9.8	36.4	6.5-1	34.5	0.07	0.57	2.95	2.12	2.10	23 1/2 - 17 1/2

PERTINENT BALANCE SHEET STATISTICS (Million \$)

June 30	Total Assets	Cash Items	Inventories	Receivables	Current Assets	Current Liab.	Net Workg. Cap.	Current Assets to Liab.	Cash to Liab.	% Inv. of Cur. Assets	Total Invest. Cap.	*(\$) Book Val. Cap. Sh.
1949	27.1	3.6	11.3	2.57	17.46	2.29	15.17	7.6-1	1.6-1	64.7		14.54
¹³ 1948	26.5	2.9	11.2	2.76	16.95	4.29	12.66	4.0-1	0.7-1	66.1		14.71
1947	24.9	3.1	12.1	3.11	18.30	5.31	13.0	3.4-1	0.6-1	66.1	18.9	13.19
¹⁴ 1946	23.7	4.9	9.1	2.82	16.82	6.61	10.2	2.5-1	0.7-1	54.2	16.6	11.91
1945	20.7	6.1	8.3	2.46	16.89	6.07	10.8	2.8-1	1.0-1	49.4	14.7	10.60
1944	19.3	4.8	8.3	2.12	15.27	5.79	9.48	2.6-1	0.8-1	54.6	18.5	9.73
1943	18.1	5.8	6.0	1.80	13.64	5.57	8.07	2.4-1	1.0-1	43.6	12.5	9.00
1942	15.0	4.2	5.7	2.08	11.94	3.61	8.33	3.3-1	1.2-1	47.5	11.4	7.97
1941	13.3	7.9	2.7	1.19	11.73	1.59	10.13	7.4-1	4.9-1	22.7	11.7	8.60
1940	12.3	8.3	2.1	0.59	10.93	1.20	9.73	9.1-1	6.9-1	19.2	11.1	8.04
1939	11.4	7.6	1.8	0.46	8.91	1.02	8.89	9.7-1	7.4-1	18.2	10.4	7.40
1938	10.0	5.3	2.2	0.39	8.43	0.72	7.71	11.7-1	8.1-1	26.1	9.3	6.60
1937	9.4	6.7	1.5	0.25	8.43	0.83	7.65	10.3-1	8.1-1	17.7	8.6	6.11

¹³Restated. ¹⁴Calendar years. ⁵Includes unrequired amounts of income taxes provided in prior years of \$0.21 a share. ⁶After reserve for contingencies of \$0.29 in 1943, \$0.05 in 1944 and \$0.04 in 1948 and after credit to earnings out of reserve for war losses of \$0.15 a share in 1945 and \$0.43 in 1946. ⁷No renegotiation refund required. ⁸Adjusted for 2-for-1 split in March, 1946. ⁹After depreciation. ¹⁰Not separately reported. ¹¹\$0.30 each on Mar. 6, 1950, Dec. 5 and Sept. 6, 1949. ¹²Restated.

ANALYSIS OF EARNINGS AND BALANCE SHEET DATA

Fundamental Position—Broadening

Vick Chemical attained a dominant position in the cold remedy field by the successful marketing of the original product Vick's Vaporub. Heavy dependence upon this one product, which has been exploited extensively and which has met with increasing competition in late years, led the company to bring out a supplementary line of Va-tra-nol nose and throat drops, medicated nose drops and inhaler. Decapryn, an ethical anti-histamine, is manufactured.

In 1938, W. S. Merrell, an ethical drug manufacturer of long standing was acquired. Company's diversification continued with purchase in 1941 of Prince Matchabelli, maker of perfumes and toiletries, J. T. Baker Chemical and Alfred O. McKelvy, manufacturer of Seaforth toiletries for men. The Solskin Co. (hand creams) and Jensen-Salbery Laboratories (veterinary medicines and sundries) were acquired in 1946.

Sales are world-wide. In addition to domestic manufacturing facilities in Greensboro, N. C. and Philadelphia, the company has plants in eleven foreign countries on five continents. Foreign sales average less than 15%. Foreign holdings were fully covered by reserves in 1949.

Earnings-Dividends—Steady

Sales trended steadily upward during 1930-40, with only a minor set-back when mild weather affected demand. However, margins were narrowed gradually by heavier promotional costs and price reductions forced by keen competition, and earnings gains were limited.

Increased consumer incomes after the 1940 fiscal year lifted sales to successive record levels, but higher costs and taxes moderated earnings gains through June, 1945. Larger sales and lower taxes raised 1945 and 1946-7 net. Higher costs reduced 1947-8 earnings from the 1946-7 record. Lower costs improved 1948-9 margins and net.

There has been no interruption of dividends since segregation from Drug, Inc., in 1933, and the predecessor company had a steady record of payments back to 1925.

Finances—Strong

Finances are unusually conservative, with cash items well in excess of debt. Working capital increased in 1948-9, to a new peak.

CAPITALIZATION

Funded Debt: None.

Capital Stock: 1,405,650 shares (\$2.50 par).

Incorporated in Delaware in 1933. Office—122 E. 42 St., N. Y. C. 17. President—E. L. Mabry. Secretary—R. K. Hines. Treasurer—C. Wylie. Directors—L. Richardson (Chrm.), W. R. Basset, R. M. Dunning, H. H. Garis, H. A. High, R. K. Hines, E. L. Mabry, H. D. McKay, T. Merrell, W. Y. Freyer, H. S. Richardson, M. W. Smith. Transfer Agent—Guaranty Trust Co., N. Y. C. Registrar—Chemical Bank & Trust Co., N. Y. C.

NOTE—Information and advice are furnished without representation or responsibility as to accuracy or completeness and without liability for any act of omission in collecting or providing the same. Printed in U. S. A.

~~Summary of~~ SCB, Apr. '50, p. 6 et seq.

\$18b cap. outlay on plant & equipment by "business" in 1949.
16b antic. in '50. It is customary for 2d $\frac{1}{2}$ yr to be understated at beginning, so Δ est. to be expected.

With this general prediction, we can figure makers of cap. goods are in for a gradual decline in demand. - but maybe reversed as est. change. They give particular industries & demands for their products.

1090 ^{of the} new pl. & eq. ^{that was,} '46-8, in 'new firms'. - esp. high in '46, much lower since & now insignif.

p. 8 Evidence that if outlays are projected & then ^{costs} rise, they go ahead & make some physical expansion as planned - (thus Δ ing expenditures & taking in from stock ~~exp.~~ mkt) (But all these plans will change, now)

✓ '47 & '8, govt. restrictions on non-res. constr. were eased, thus helping cause Δ inv. in non res. constr.

p. 9. Textile, leather, & apparel industries anticipate large decrease in inv. (will this make their stocks rise?) Now they, depressed, should rise with war. Am. Woollen

✓ Mgmt. equipment expenditures to Δ ^{relative to} ~~more than~~ plant, ~~to~~ No land required.
r.r. exp. to Δ more than any: 30%.

✓ (r.r.s. surely look good now, earnings were low in '49, preventing rise then. Now are pushing up) (favorite targets for bombs)

p. 5-5. Wholesale prices declined all thru 1949 - reflecting reduced demand for inventories etc - & just started up again in Feb 1950. Here is another good indicator of what inv. is going into.

(Just think what SCB etc. could do if they would collect dope on anticipations & plans of consumers & investors. Could make some fabulous predictions)

Construction ^{what kind?} peak in Sept, '49: \$1.9b fell to 1.3 in Feb '50. I wonder if starting back up now?

✓ Wage rates in manuf. began to rise, Feb '50.

Babson says, April 1950:

Principal reason business is so good now is expanding consumer & home mortgage credit. (but is this not to be expected after an inflation when everyone's finances became 'sound'? The question is, is there room for further credit expansion now? Generally I think definitely yes.

In future, I can combine my study of money & banking with predicting general future of business conditions.

Chemicals good for long term growth.

General view: good business lies directly ahead, but prepare for a ~~general downturn~~ "sudden change" "later" - he bases this largely on expected contraction of credit.

So this suggests, be conservative. But I am inclined to disagree with him that credit will contract.

Montgomery Ward and Company

Listed - NYSE, Symbol M
Common Stock Appraised - Investment Type*
Mail Order Chain Shares Appraised - Relatively Unfavorable*

\$7 Class A Stock Appraised	High Grade		Common		Class "A"	
			1949-50 Price Range	59 3/8-47 5/8	185 1/2-167 1/2	
			Recent Price	58 1/4	180 1/2	
			Dividend	\$3.00**	\$7.00	
			Yield	5.2%	3.9%	

* - In the Merrill Lynch Security and Industry Survey.

** - Paid or declared in last 12 months.

CURRENT TRENDS AND PROSPECTS: In the eleven months ended December 31, 1949 company reported sales of \$1.11 billion down 10.8% from the \$1.24 billion recorded in the similar year earlier period. The decline in dollar volume was in line with 1949 experience of most general merchandise retailers and resulted primarily from lower prices. Also, a larger proportion of goods was sold in the lower-price categories. Profits were down much more sharply than volume with net income for the nine months to October 31, 1949 off about 45% from the like 1948 period. Declining dollar sales in the face of a relatively high and rigid cost structure exerted pressure on profit margins. In the first three quarters of 1949 pre-tax profit margin dropped to 5.7% from 9.0% the year previous. With smaller mark-downs indicated and fairly good holiday volume, some improvement in profit margins probably resulted in the final quarter.

Satisfactory unit volume is indicated for the first half of 1950 since consumer income levels are expected to remain high. Retailers should benefit from the distribution of \$2.8 billion in veterans insurance refund payments. These factors could be offset to some degree if farm income continues to decline. While overall prices are expected to be slightly lower the pattern should be steadier than a year ago when heavy markdowns were the rule. Full year profits will depend largely on conditions in the last half when the larger proportion of annual sales and earnings are ordinarily secured.

EARNINGS AND DIVIDEND RECORD: As the result of sharply increased sales volume and a lower tax rate, net income scored successive record peaks from 1946 through

1948. In the five-year period from 1941 to 1945, pre-tax income showed substantial gains over pre-war levels in every year except 1943. However, the heavy wartime tax load prevented corresponding rises in net. The set-back in operating earnings and net income in 1943 reflected not only contraction in sales due to merchandise shortages but also heavy expenses in connection with the handling of mail orders which could not be filled. The company has followed a conservative dividend policy retaining a large proportion of earnings in the business. In the last decade common dividend disbursements averaged about 40% of available earnings. Retained earnings in recent years have provided funds for carrying increased receivables and inventories.

DIVIDEND MEETINGS: Common dividend meetings approximately Feb. 25, ex-dividend Mar. 10, payable April 15. Class "A" dividend meetings approximately Feb. 25, ex-dividend Mar. 10, payable April 1 and quarterly on comparable dates.

INTERIM EARNINGS AND DIVIDENDS PER COMMON SHARE

	---1949-50---		---1948-49---	
	Earns.	Divs.*	Earns.	Divs.*
3 Mos. April 30	\$1.42	\$0.50	\$2.15	\$0.50
3 Mos. July 31	0.70	0.50	2.43	0.50
3 Mos. Oct. 31	2.17	0.50	3.13	0.50
3 Mos. Jan. 31	-	1.50	2.57	1.50

* - Paid or declared during interim period.

SELECTED INCOME ACCOUNT DATA

Year Ended Jan. 31 Next	Net Sales*	Net Oper. Income*	Net Income*†	Pre-Tax Margin of Prof.	Net Inc. % of Sales	Pfd. Divs. Times Earned	-----Per Common Share-----			
							Earns.†	Divs. Paid	--Price Range**--	
									High	Low
1948	\$1,211,956	\$114,414	\$68,232	9.5%	5.6%	48.36	\$10.28	\$3.00	65	47 1/4
1947	1,158,675	101,544	59,050	8.8	5.1	41.85	8.86	3.00	64 5/8	49
1946	974,257	88,913	52,282	9.2	5.4	37.06	7.83	3.00	104 1/4	57 1/4
1945	654,779	57,278	22,932	8.9	3.5	16.25	4.12	2.00	76	47 7/8
1944	620,969	48,279	21,286	7.9	3.4	15.09	3.81	2.00	53 7/8	41 3/8
1943	595,933	31,412	20,677	5.4	3.5	14.66	3.69	2.00	50	33 1/4
1942	635,007	57,523	26,438	9.1	4.2	18.74	4.79	2.00	34 5/8	23 1/2
1941	632,709	54,176	22,352	8.5	4.3	15.84	4.97	2.00	39 1/2	24 1/4
1940	515,911	35,200	23,028	6.8	4.5	16.32	4.14	2.00	56	31 3/4
1939	474,882	34,317	27,011	7.2	5.7	19.14	4.91	2.00	57 3/4	40 1/8

* - Thousands of dollars. ** - Calendar years. † - Before inventory reserves equal to \$1.54 per share in 1946, \$1.15 in 1942 and \$0.96 in 1941.

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FINANCES: The company enjoys a sound financial position. On July 31, 1949, net working capital was at a record peak of \$422.4 million, or about \$65 per common share. Current assets at July 31, 1949 were about 5.5 times current liabilities. Working capital has increased steadily over the past decade through retention of a large proportion of earnings in the business and in the absence of any large expenditures for fixed assets. In 1946, however, rising prices necessitated added capital to carry inventories which increased on expanded sales volume. These additional funds were provided through the sale of about \$64 million additional common stock:

At July 31, 1949 merchandise inventories had been reduced approximately \$25 million from the 1947 year end peak. Continuous time payment accounts however increased \$14.5 million during the same period reflecting a more normal ratio of time payment sales to total sales and a more adequate supply of merchandise customarily sold in this way.

With dividend payments only a relatively moderate portion of earnings, and capital outlays about equal to depreciation reserves in recent years, the company has built up a strong financial position. A substantial position of total business is done on the installment basis and receivables represent a large portion of current assets. The company does not sell its accounts receivable. As of July 31, 1949 reserves for possible future inventory price declines amounted to \$26 million. This represents about 10% of merchandise inventories which were carried at \$252 million.

Large reserves have also been set up for receivables amounting to about 14% of the total.

CAPITALIZATION JULY 31, 1949

\$7 Cum. Class "A" Stk. (No Par)*	201,554 Shs.
Common Stock (No Par)	6,502,378 Shs.

* - Non-Callable.

NATURE OF BUSINESS: Montgomery Ward is the second largest retailer of general merchandise in the United States with sales volume exceeding one billion dollars annually in the last two years. Sales are divided roughly 2/3 to the retail stores division and 1/3 to the mail order department. The company's 631 stores are primarily in the junior department store classification and cater to rural trading areas. A number of larger stores, however, operate in urban industrial centers. In addition to direct mail requests, orders are taken at over 220 catalog offices and distributed through 9 mail order houses located at key points throughout the country. The majority of store sites are leased, while mail order houses and factories are owned.

About 60% of the sales volume is derived from big ticket hard-goods, a sizable portion of which is sold on an installment basis. Merchandise lines are bought from independent manufacturers except that a portion of the paint, varnish and farm equipment lines is supplied by three wholly-owned factories.

The company refrained from initiating any sizable post-war program for expansion of retailing facilities in the belief that a more advantageous cost basis will be provided in a later period. Emphasis has been placed, instead, on internal adjustments with special attention to merchandise lines.

SELECTED BALANCE SHEET DATA (Million Dollars)

As of Jan. 31	Cash Items	Accts. Rec.	Invent.	----Current---- Assets	Liabs.	Net Wkg. Cap.	---Plant--- Gross	Net	Long Term Debt	Cl. "A" Pfd. Stk.	Com. Stk. Surp. & Res.
1949*	\$106.5	\$157.8	\$251.9	\$516.2	\$93.9	\$422.3	\$82.0	\$39.3	-	\$20.2	\$455.1
1949	88.1	172.3	259.3	519.7	106.8	412.9	81.4	39.9	-	20.2	451.9
1948	51.1	144.1	277.3	472.5	105.9	366.6	83.4	40.3	-	20.2	404.0
1947	101.5	86.4	237.9	425.8	92.7	33.1	80.7	39.4	-	20.2	365.6
1946	134.4	48.6	137.6	320.6	80.0	240.6	79.0	39.7	-	20.2	268.5
1945	126.0	48.7	117.5	292.2	70.1	222.1	80.4	41.8	-	20.2	257.0
1940	14.4	78.9	96.3	189.6	40.7	148.9	8.8	49.8	-	20.2	191.0

* - As of July 31.

The above information was obtained from sources considered reliable, but we do not guarantee its accuracy. Neither the information, nor any opinion expressed, constitutes a solicitation by us of the purchase or sale of any securities.

Armour and Company

Listed - NYSE, Symbol AM
Common Stock Appraised - Speculative†
Meat Packing Shares Appraised - Average*

\$6 Cum. Conv. Pr. Pfd. Stock Appraised - Speculative

	Common	Preferred
1949-50 Price Range	9 5/8-5	77 3/4-49 1/2
Recent Price	9	75 1/4
Dividend	Nil	Nil†
Yield	-	-

* - In the Merrill Lynch Security and Industry Survey.
† - Arrears \$4.50 on Jan. 1, 1950.

† - Not listed in Security and Industry Survey.

CURRENT TRENDS AND PROSPECTS: Continuance of unfavorable factors in the early part of the year resulted in unprofitable company operations for the first half of 1949. However, a more improved relationship between livestock costs and meat prices and greater efficiency of operations enabled company to offset these losses in the latter part of 1949. While final net for full year did not cover preferred dividend requirements, fourth quarter results amounted to \$1.51 per common share against a net loss of \$0.41 per share in the like 1948 period. Armour intends to continue the policy of issuing interim reports initiated in 1949 although management points out that such reports are not necessarily indicative of results on an annual basis.

Total meat production in 1950 is estimated to be some 4 per cent above the 1949 output. Most of the increase will be in pork due to the record hog marketings of the current season. With a favorable level of national income indicated basic supply and demand conditions for meat products appear favorable. But the inherent risk in meat packing according to Armour's president, is "the relationship of and the trend of the sales price of meats to the cost of livestock from which the meats are produced. This risk is affected directly by general economic conditions, particularly employment, that prevail during the period of heavy production as compared with conditions that prevail in a later period when the accumulated product is sold."

EARNINGS AND DIVIDEND RECORD: Since the financial reorganization in 1922 Armour has reported a balance available for fixed charges in every year except 1931

and 1948. Some preferred dividends were paid in each of the last twenty-seven years. Arrears on junior preferreds were cleared October 1, 1947, and cash dividends on the common were resumed in 1948 at the rate of \$0.30 quarterly. However, unfavorable operations later in the year resulted in the omission of the common dividend payable October 15, 1948. Preferred dividend was omitted May 6, 1949.

Dividend restrictions provide that only earnings subsequent to October 30, 1948, are available for dividends. Exception: \$3 million (one year's dividends) could be paid on preferred stock from earnings accumulated prior to October 30, 1948. On October 29, 1949 no earnings were available for dividends except for \$2.06 million for preferred stock. Dividend arrears on the preferred on that date amounted to \$3 per share. Management stated "Need for further capital expenditures to insure efficient operations make it necessary to conserve working capital. The resumption of dividends when earnings and financial position will permit will continue to be management's objective".

DIVIDEND MEETINGS: Common stock - dividend omitted 9-2-48. Preferred stock - dividend omitted 5-6-49.

INTERIM EARNINGS AND DIVIDENDS PER COMMON SHARE

	-----1949-----		-----1948-----	
	<u>Earns.</u>	<u>Divs.*</u>	<u>Earns.</u>	<u>Divs.*</u>
6 Mos. Mar. 31	\$d1.97	Nil	\$d0.80	\$0.60
3 Mos. July 30	d0.14	Nil	d0.01	0.30
3 Mos. Oct. 31	1.51	Nil	d0.41	Nil
* - Paid or declared during interim period.				
d - Deficit.				

SELECTED INCOME ACCOUNT DATA

Year Ended Nov. 1 Approx.	Net Sales*	Net Oper. Income*	Net Income*	Pre-Tax Margin of Prof	Net Inc. % of Sales	Int. & Pfd. Divs. Times Earns.	-----Per Common Share-----	Divs. Paid	-Price Range-
							Earns.		High Low
1949\$	\$1,848,280	\$5,666	\$ 558	0.1%	0.03%	0.74	\$d0.60	Nil	8 1/2 5
1948	1,991,434	2,572	d1,965	d0.1	d0.1	0.40	d1.22	\$0.90	15 1/8 6 7/8
1947	1,956,490	54,687	22,950†	2.7	1.2†	3.96†	4.91†	Nil	15 7/8 9 3/4
1946	1,183,538	55,189	18,526†	4.4	1.6†	3.52†	3.82†	Nil	18 1/2 10 1/4
1945	1,212,961	27,683	9,173	2.0	0.8	1.77	1.41	Nil	15 6 3/8
1944	1,477,971	49,362	11,250	2.9	0.8	1.86	1.92	Nil	6 7/8 4 7/8
1943	1,416,559	43,188	11,445	2.7	0.8	1.70	1.97	Nil	6 3/8 3
1942	1,300,009	28,771	11,112	1.9	0.9	1.83	1.89	Nil	4 1/8 2 1/2
1941	926,236	26,107	11,354	2.4	1.2	1.88	1.95	Nil	5 1/2 2 1/4
1940	733,949	15,458	4,561	1.5	0.6	1.18	0.28	Nil	7 5/8 4

* - Thousands of dollars. † - Calendar years. ‡ - After reserves equal to \$1.97 per share in 1947 and \$2.34 in 1946. § - Excludes foreign subsidiaries, included in prior years. d - Deficit.

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FINANCES: Over the past decade, the management of Armour has concentrated on the improvement of company's financial position through the reduction in long-term debt and senior obligations and the reinvestment of earnings. But need for funds to operate with inventory costs high necessitated the sale of \$40 million debentures in October, 1948 and in 1949 purchase of refrigerated cars was financed in part by \$13.8 million long term obligations payable quarterly to October, 1958. As of October 29, 1949 net working capital stood at \$153.03 million against \$172.9 million at the 1948 fiscal year-end and \$102.2 million at the end of the 1939 fiscal year. Cash items on October 29, 1949 amounted to \$32.72 million, an increase of \$0.7 million over the 1948 fiscal yearend figure. Certain inventory items are valued on a "last-in, first-out" basis with the balance carried at lower of cost or market. Reserves for inventory price declines remained unchanged at \$17.5 million on October 29, 1949.

Capital expenditures in 1949 amounted to \$34.2 million of which \$18.4 million was for the purchase of refrigerator cars bringing total expended on plant and equipment during 1947-1949 to \$64.3 million. In view of uncertainties in foreign exchange, assets and liabilities of foreign subsidiaries, previously consolidated, were reclassified in early 1949 as net investments and long term receivables. On October 29, 1949 these investments and long term receivables were carried at \$30.4 million after a reserve of \$4.0 million.

CAPITALIZATION - October 29, 1949

1st 2 3/4% "F" due 1971	\$50,000,000
3 1/2% Debentures due 1968	40,000,000
3 1/2% Debentures due 1972	33,628,000
Long Term Notes Payable	12,000,000
Purchase Obligations	11,147,119
Minority Int.	898,790
\$6 Conv.Cum.Pr.Pfd.Stk.(No Par)*	500,000 Shs.
Common Stock (\$5 Par)	4,065,716 Shs.

* - Callable at 115. Convertible into 6 shares of common at any time.

NATURE OF BUSINESS: Incorporated in 1900 as an outgrowth of a partnership founded in 1863 Armour is the second largest factor in the meat packing industry. Company operates some 40 meat packing plants (including 6 in South America), 57 dairy and poultry units, numerous plants for processing of by-products, storage, refrigeration and transportation facilities, and 256 distributing branch houses. A subsidiary, Winslow Bros. & Smith Co., processes wool and leather. Diversification into non-meat fields has resulted in a broadening of operations to include a variety of related products. A recently completed chemical plant at McCook, Illinois is engaged in the production of fatty acids and their subsequent conversion into various synthetic organic chemicals for use by the soap, synthetic detergent, rubber, paint, mining, dye and chemical industries as well as for a number of other industrial purposes. Present management, made up of men of long experience in the meat industry, is concentrating its efforts toward coordinating and increasing efficiency of operations of the different divisions. Aggressive research is directed toward product improvement and development of new products. The most recent accomplishment of company's pharmaceutical research is the development of the hormone, ACTH. While still in the early stages of investigation and not expected to be commercially available for some time, clinical tests show ACTH to have promise as an effective treatment for rheumatoid arthritis, leukemia, and a number of nervous diseases heretofore unamenable to treatment.

DIVERSIFICATION: Non-meat activities: Fatty acids, dairy and poultry products; vegetable oils; margarine; salad oil; shortening; soap; glue; glycerin; curled hair; sandpaper; hides; pharmaceuticals; fertilizers.

BRAND NAMES: Fresh, cured and canned meats - Star; dairy and poultry products - Cloverbloom; soap - Chiffon, Dial and Perk; dog food - Dash.

SELECTED BALANCE SHEET DATA (Million Dollars)

Nov. 1 Approx.	Cash Items	Recs.	Invent.	----Current----		Net Wkg. Cap.	----Plant-----		Long-Term Debt*	Preferred Stock	Common Stock Surp. & Res.
				Assets	Liabs.		Gross	Net			
1949†	\$32.7	\$61.0	\$134.6	\$228.3	\$ 75.2	\$153.1	\$236.2	\$ 95.2	\$147.7	\$51.5†	\$143.8†
1948	32.0	74.7	175.5	282.1	109.2	172.9	236.2	141.0	138.1	50.0	150.4
1947	21.5	69.9	175.2	266.5	113.1	153.4	224.2	134.4	100.2	50.0	157.6
1946	49.9	47.6	131.1	228.5	78.3	143.1	213.7	129.1	89.6	72.1†	133.6†
1945	48.0	50.3	105.6	204.0	63.3	140.7	210.4	129.7	101.6	73.7†	110.0†
1944	31.7	54.9	121.9	208.6	72.5	136.1	206.2	131.4	104.6	73.5†	105.9†
1939	22.3	38.0	82.0	142.7	40.5	102.2	199.3	144.1	73.1	116.6†§	72.2†

* - Includes minority interest. † - Includes preferred dividend arrears. ‡ - After preferred dividend arrears.
§ - Includes subsidiary preferred stock. ¶ - Excludes foreign subsidiaries, included in prior years.
N.R. - Not reported.

The above information was obtained from sources considered reliable, but we do not guarantee its accuracy. Neither the information, nor any opinion expressed, constitutes a solicitation by us of the purchase or sale of any securities.

Getting pretty high

The Texas Company

(Listed - NYSE, Symbol TX)
Common Stock Appraised - Investment Type*
Integrated Petroleum Shares Appraised - Average*

	Common		Common
1949 Price Range	65 3/4 - 48 5/8	Dividend	\$4.00**
Recent Price	61 3/4	Yield	6.5%
	<i>69 1/2 new high.</i>		

* - In the Merrill Lynch Security and Industry Survey.

** - Indicated current annual rate.

CURRENT TRENDS & PROSPECTS: As a fully integrated oil company, Texas Company has participated in the post-war increase in demand for petroleum products. Earnings have also benefited from the higher prices for oil products. During 1948 earnings of \$12.03 per share were the highest ever reported. Not included in these earnings was \$49 million of undistributed profits of non-consolidated affiliates applicable to Texas interest in these companies. Foreign operations represent an important share of these non-consolidated earnings.

Operations in 1949 are expected to result in a decline in earnings of about 25% compared with 1948. Principal reasons for the lower earnings are the decline in fuel oil prices and cutbacks in crude oil production. The improvement in fuel oil prices late in the second quarter was largely offset by the unfavorable effects of the warm weather early in the 1949-50 heating season. However, on the favorable side is the larger cash dividend which has accompanied lower capital expenditures. Earnings in 1950 will once again be dependent upon the trend of prices for crude and products.

Texas Company enjoys a strong position in an industry which over the long term is still growing both at home and in foreign markets. As the anticipated increase in automobiles, oil burners and diesel engines materializes, the company should show an expansion in physical volume of operations. The growing chemical phase of its business will provide added revenues. In the foreign field a favorable competitive position is held. Given satisfactory political conditions, Middle Eastern companies in which Texas has interests should play a major role in the expanding European markets. Furthermore, the rising domestic demand is likely to create another important market for this oil.

EARNINGS AND DIVIDEND RECORD: Texas Company showed a stable earnings record prior to 1946 when profits rose sharply because of the favorable post-war situation. In the 10 years ending with 1945, earnings were never lower than \$2.13 per share nor higher than \$5.02 per share. During this period earnings averaged \$3.85 per share. Past fluctuations in earnings have been related largely to the general price situation in the oil industry. The oversupply of oil existing before the war resulted in narrower profit margins, but earnings of Texas were relatively favorable compared with the industry as a whole. The longer term trend of earnings has been upwards because of the growth in volume of operation.

Dividends have been paid for the last 46 years without interruption. Even during the depression years of the 1930's, an annual dividend of \$1.00 per share was paid.

DIVIDEND MEETINGS: Capital stock dividend meeting approximately Jan. 28, ex-dividend Mar. 2, payable April 1, and quarterly on comparable dates.

INTERIM EARNINGS AND DIVIDENDS - PER COMMON SHARE

	-----1949-----		-----1948-----	
	Earns.	Divs.*	Earns.	Divs.*
3 Mos. Mar. 31	\$2.09	\$0.75	\$2.53	\$0.75
3 Mos. June 30	2.45	0.75	2.99	0.75
3 Mos. Sept. 30	2.30	0.75	3.37	0.75†
3 Mos. Dec. 31	-	1.75†	3.14	0.75

* - Declared during interim period. † - In addition paid 2 1/2% in stock. ‡ - \$0.75 payable Dec. 15, 1949 and \$1.00 payable Jan. 3, 1950.

SELECTED INCOME ACCOUNT DATA

Years Ended Dec. 31	Gross Revenues*	Net Oper. Income*	Net Income*b	Pre-Tax Margin of Prof.	Net Inc. % of Sales	-----Per Common Share-----			
						Earns.	Divs. Paid	---Price Range---	
								High	Low
1948	\$1,080,886	\$179,721	\$165,981	19.9%	15.4%	\$12.03	\$3.00e	67	52
1947	819,211	121,299	106,313	16.6	13.0	7.90	3.00	68 7/8	53 3/4
1946	586,537	88,355	71,089	15.7	12.1	6.32	2.50	68 1/4	52
1945	577,077	65,028	51,857	11.7	9.0	4.61	2.00	62	48 5/8
1944	545,024	82,826	54,517	15.8	10.0	4.85	2.50	50 1/4	44 5/8
1943	459,716	66,958	42,890	13.9	9.3	3.83	2.00	53 3/8	41 7/8
1942	412,374	62,029	35,060	15.5	8.5	3.22	2.00	42 1/4	30
1941	405,344	70,424	51,875c	16.8	12.8	4.77c	2.50	46 3/8	34 1/2
1940	350,260	47,491	31,548c	11.7	9.0	2.90c	2.00	47 5/8	33
1939	365,312	32,305	32,887	10.1	9.0	3.02	2.00	50 3/4	32 1/2

* - Thousands of dollars. b - After reserves for contingencies equal to \$0.36 per share in 1945 and 1944, \$0.74 in 1943, \$1.10 in 1942, \$0.64 in 1941 and \$0.80 in 1940. c - After reserve for possible loss on foreign investments equal to \$0.64 per share in 1941 and \$0.89 in 1940. e - Also paid 2 1/2% in stock.

MERRILL LYNCH, PIERCE, FENNER & BEANE

UNDERWRITERS AND DISTRIBUTORS OF INVESTMENT SECURITIES

70 PINE ST. NEW YORK

BROKERS IN SECURITIES AND COMMODITIES

FINANCES: In 1947, Texas Company sold over 2.2 million shares of common stock to its stockholders at \$42 per share on the basis of one new share for each five held. This financing of nearly \$100 million is expected to be adequate for the completion of the company's post-war expansion and modernization program. During 1947 capital expenditures were \$138 million and \$235 million in 1948. For the current year, expenditures are estimated at \$250 million. Funds now available plus cash to be generated by 1949 earnings are expected to be sufficient to meet these expenditures.

The funds raised through the sale of common stock have been augmented by a substantial portion of earnings to meet the cost of this expansion and modernization program. Consequently the management has been forced to follow a conservative dividend policy. However, the peak of capital expenditure has been passed and more liberal dividends are being paid.

A further need for increased working capital today is the expanded volume of business on a higher price level. The increase of 166% in dollar sales between 1941 and 1948 requires larger liquid assets for efficient and profitable operation. At the end of 1948, current receivables totaled \$92 million compared with \$41 million on December 31, 1941. Also as inventories of refined products have arrived at a more normal relationship to current consumption, additional funds have been tied up in reserve supplies. Inventories of crude and products at the close of 1941 were \$87 million as against \$164 million at the 1948 year end.

CAPITALIZATION - DECEMBER 31, 1948

3% Debentures due 1965	\$60,000,000
2 3/8% Debentures due 1971	80,000,000
2 1/2% Notes	22,100,000
Other Long Term Debt	2,108,610
Capital Stock (\$25 Par)	13,797,624 Shs.

NATURE OF BUSINESS: Texas Company is a well integrated oil company which operates on a worldwide basis. Domestically the company accounts for 4.7% of total crude production and supplies about 9% of the country's requirements for petroleum products. Most important foreign oil properties are located in the Middle East which help supply the major markets of the Eastern Hemisphere.

In 1948, Texas Company produced 96.3 million barrels of crude oil in the United States exclusive of royalties and minority interests. At the close of 1948, the company held leases on over 10 million acres of productive and undeveloped land in the United States. Other Western Hemisphere production is obtained from Colombia and Venezuela. During 1948, net production in these countries was 3.9 million barrels.

Seventeen refineries are operated throughout the United States with a combined capacity of about 435,000 barrels daily. Largest plant is located at Port Arthur, Texas, and is capable of handling 145,000 barrels daily. A 40,000-barrel plant has been completed near Camden, New Jersey, and the Tulsa, Oklahoma, plant has been raised to 30,000 barrels daily from 20,000 barrels. Refinery runs in 1948 were 146 million barrels. Net domestic crude production was equal to 66% of refinery runs.

In the Eastern Hemisphere, Texas Company's principal assets are a 50% interest in Bahrein Petroleum and Caltex Corp. and a 30% interest in Arabian American Oil and Trans-Arabian Pipe Line Co. During 1948 Bahrein produced 10.9 million barrels and refined 54.6 million barrels. Caltex is a marketing organization which will have refineries in the Netherlands and France in 1950 and is planning a plant in Italy. Production of the Arabian-American was 143 million barrels and refinery runs were 45 million barrels last year.

Net reserves are estimated at more than 1.3 billion barrels in the United States, 92 million in South America and 2.1 billion in the Middle East.

SELECTED BALANCE SHEET DATA (Million Dollars)

As of Dec.31	Cash Items	Accts. Rec.	Invent.	----Current----	Net Wkg. Cap.	----Plant-----	Long Term Debt	Minority Interest	Com. Stk. Surp. & Res.
				Assets	Liabs.	Gross	Net		
1948	\$239.1	\$92.2	\$194.8	\$526.2	\$169.0	\$357.2	\$1,232.3	\$622.4	\$164.2
1947	259.2	83.2	155.1	497.5	133.7	363.8	1,053.0	486.6	146.8
1946	168.7	49.7	123.7	342.0	111.0	231.0	943.6	413.9	147.1
1945	144.9	44.6	97.3	286.9	100.5	186.4	900.0	398.8	114.5
1944	126.0	64.3	98.6	288.8	112.3	176.5	860.7	431.8	124.6
1939	65.5	38.2	85.0	188.7	52.2	136.5	670.5	354.8	102.5
								\$7.0	
									\$979.0
									853.6
									665.6
									623.9
									605.2
									478.9

The above information was obtained from sources considered reliable, but we do not guarantee its accuracy. Neither the information, nor any opinion expressed, constitutes a solicitation by us of the purchase or sale of any securities.

MERRILL LYNCH, PIERCE, FENNER & BEANE

UNDERWRITERS AND DISTRIBUTORS OF INVESTMENT SECURITIES

BROKERS IN SECURITIES AND COMMODITIES

MAY 10, 1950

STOCK COMMENT NO. 227 (File: Chemicals)

Ask Mr. Vedder re this in July.

C O R R E C T I O N

Reprinted to Correct an Error Appearing in Stock Comment No. 220.

SECURITY AND INDUSTRY SURVEY CHANGE

VICTOR CHEMICAL WORKS

(Supplementing Wire Flash No. 484)

Earnings in the First Quarter Ended March 31, 1950 Were at New High Levels, Equal to \$1.21 Per Common Share. Operations Are Expected to Continue at Capacity Levels Through the First Half of 1950. Long Term Growth Potentialities Appear Good. At Current Levels Stock Selling at About 11 Times Indicated Annual Earnings Seems Reasonably Priced. Victor Chemical Added to Security and Industry Survey on Chemical No. 1 Page (Page 18) Under "Good Quality: Wider Price Movement". Recent Price 50.

Victor Chemical Works, the second largest producer of phosphoric acid and phosphorus derivatives, has experienced a steady growth trend over the past decade. Phosphorus derivatives are essential to many industries with their consumption showing a marked increase over the last few years. The leading consumers of company's products are the food and baking industries. Detergents rank next in importance. The synthetic detergent field has opened a new and rapidly growing field of consumption for phosphorus products. Other important industries served by Victor are the textile, metal, petroleum, pharmaceutical and chemical industries. Acquisition in June, 1949, of the A. R. Maas Chemical Company, California producer of phosphoric acid, phosphates, and photographic chemicals, further integrated and broadened the distribution area of company's operations. Including this acquisition, company's plants number six and are well located throughout the United States for the economical manufacture and distribution of its products.

The upward trend in company's earnings has been marked since the last quarter of 1948, 1949 earnings of \$3.35 per common share were over 30% above the per share earnings on shares outstanding at the previous year-end. The addition of the A. R. Maas facilities partly contributed to the improvement in earnings in the last half of 1949. The following table shows the trend in sales, earnings, and net profit margins in the four quarterly periods of 1949 and the first quarter of this year:

(Victor Chemical - 227)

MERRILL LYNCH, PIERCE, FENNER & BEANE

UNDERWRITERS AND DISTRIBUTORS OF INVESTMENT SECURITIES

BROKERS IN SECURITIES AND COMMODITIES

MAY 10, 1950

STOCK COMMENT NO. 227 - Continued - Page 2

QUARTERLY EARNINGS

<u>1949</u>	<u>Sales</u> <u>(S.E.C.)</u> - - - (000's) - - -	<u>Net</u> <u>Profit</u> - - - (000's) - - -	<u>Net Profit</u> <u>Margin</u>	<u>Earnings</u> <u>Per Share*</u>
3 Mos. March 31	\$6,471	\$500	7.7%	\$0.58
3 Mos. June 30	6,722	597	8.9	0.70
3 Mos. Sept. 30	8,212	886	10.8	1.04
3 Mos. Dec. 31	8,033	891	11.1	1.03
<u>1950</u>				
3 Mos. March 31	N.A.	1,014	N.A.	1.21

* - Based on shares outstanding at end of respective periods.
N.A. - Not available.

Current high demand indicates a continuation of capacity operations through second quarter, at least. As a result, sales and earnings in the current quarter should be at a rate close to the record first quarter.

A sound financial position is maintained. On December 31, 1949 current assets amounted to \$13.6 million of which \$6.5 million were in cash items against current liabilities of \$4.2 million. Securities senior to common stock consisted of \$150,000 long term notes, \$502,544 minority interest, and 94,338 shares 3 1/2% preferred stock (\$100 par). With the exception of the A. R. Maas Chemical Co., acquired through the issuance of 18,388 shares of Victor Preferred stock, and 18,388 shares of common stock, company's expansion program in postwar years has been financed entirely out of earnings.

Common dividends, paid without interruption since 1927, have averaged 72% of earnings over the last ten years. No definite dividend rate is maintained but company's practice has been to declare regular payment in each of the first three quarters with a larger year-end payment if earnings warrant.

Dividends in 1949 totalled \$2.00 per share.

4%

(Victor Chemical - 227)

Addressograph - Multigraph -

Aldens Pfd, 6.2%

Am. Trust Pfd, 3.8%, Conv.

Ark. Nat. gas pfd, 5.5%

Bethlehem Pfd, 5.2%

Blue Ridge corp.

In general I am confident that lands now waste will prove to have great ag. & mineral value, & that economy will continue to be healthy. But this is long range thinking. In immediate future, which is all I'm investing for now, stick to immediate considerations.

— Chrysler Common, 10.3%

— Compo Shoe.

Not ~~only~~ do I feel like not speculating much, but also now is clearly the time not to. So limit common purchases to L&N, buy preferreds.

Dorr Chemical - a pioneer user of sea water, I like it for long term growth. But mkt. has beat me to it.

Get a line on attitudes of co.s - positive attitudes should do better. Those who specialize in criticizing the administration not so hot.

X Household equipment should be good now - lots of houses to fill up. Ekco Products. G.E., Westinghouse

Banking I should know something about & invest more wisely.

Some co.s I know about from home: ~~Dorr Chem.~~ Victor Chem., Inland Steel.

✓ In process of writing my thesis on capital markets, I could study stocks quite a bit.

Kern Cty. land - Marion Ross will ask her cousin. pays 10% - or did in '48. Get recent dope. In general, an outfit removed from cap. mkt.s should yield higher, & if you happen to be close to it you do well to invest - if you know it is sound.

Check Losathe Extension Univ.

McGraw-Hill

Marshall Field - 8% ^{24%} Ask H. McBain?

Mead Johnson

Mullins Mfg.

✓ People erroneously anticipating depression will unduly shy away from cyclical stocks. I should get good yields from them. Cap. goods mfr.s, pretty have been unduly neglected - Steel, etc. Now to rise fast?

✓ If I invest the whole \$6,000, I would get almost enough annual dividends to live on. - + G.I. bill. Then at least one stock should rise, I can sell it & have additional spare cash.

Angles:

I know that there is a great and growing demand for de-salting sea water; that when this demand is finally met, it will revolutionize agriculture, and bring a tremendous demand for construction of conduits of water, agricultural machinery, agricultural homes, etc.; it will also provide as a by-product minerals from the sea.

This is a long-term trend however. What present value is there in foreseeing it? There is a fair gamble that it is not so far away, with atomic energy & all.

But my object in investing is mainly intermediate -- I want to make the most of my money while waiting to be ready to use it in my own enterprise -- getting a book published. These are not long term investments.

But if this is so, it really doesn't make so much difference how well or poorly I invest, as to yields, and fundamentally what I am hoping for in the back of my mind is a speculative gain.

But there is some possibility that these WILL be long term investments.

I figure on 3 more years of school, with summers off. This certainly will bring me a Ph.D., and exhaust my G.I., and have given me 9 months of free writing time, as well as time to write a thesis, and do it all very liesurely. If I spend \$500/yr, in addition to my G.I. money, --and I may not spend nearly that much, if I wish to economize closely -- I can count on getting from \$100-200 of it from the returns on \$2,000 in $3\frac{1}{2}\%$ Bldg. & Loan, and \$2,000 in 6% (maybe) stocks. This leaves \$1500 free & clear and I can dig into this at the rate of 3-400/yr to eke out the 500, and last 4-5 years. At the end of this time I have Ph.D., \$2,000. for sure, and the stock I bought for \$2,000.

The \$2,000. in Bldg & Loan is a generous cushion for contingencies.

Of course if I married and had a child, it could disappear fast. But the chances of my getting married are slim. And if I did get married, in the near future, it would be to a girl who wasn't expensive. If I'm going to have to settle for a prostitute, it won't be until I have the money to support her. So this possibility may be discounted pretty well. The chances of losses on the stock market delaying my first child are balanced by the chance of gains speeding the second one, anyway.

So \$2,000 in stocks seems ok. spread among 3 or 4.

I might analyze the cash vs. other assets of each co., and predict future of their other assets, and of future of cash. Financial analysts generally give a strong cash position as a good thing. I'm not so sure it always is. If a main reason for entering the stock mkt now is fear of inflation, a strong cash position won't mean much, save that one is buying cash assets when he wants real assets.

RECEIVED
BUREAU OF THE COMMISSIONER
WASHINGTON
Remember what you are buying is assets. Any company that just finished investing a lot in itself is naturally worth more than it was before. Check back over the last few years and add up the excesses of earnings over dividends (and other drains from earnings), see if values correspond. Of course there are many other things involved, don't go oversimplifying again.

Check the rate at which they borrow. If they borrow cheap, they must be considered sound.

Dean Witter stuff tells you very little, really.

If I make all my stocks conservative, I can buy more. & since the main idea is an inflation-proof investment, and the conservative ones are in most cases as much that as the others, buy conservative.

I know, or think I know, that there will be no breakdown of banking again as there was before, no deflationary depression. Hence I can have more confidence in the stock market in general than most. Since banks are insured and are monopolies, there will be no runs on banks. Since most money is now based on govt. bonds rather than private investment, a cessation of private investment will not notably reduce the money supply.

In plan on previous page I forgot about my idea of giving prizes for good writings. I would like to set aside some money for that. I might use the income from the stocks for that.

This means that, if \$2,000 was the right figure before, \$1,500. is now. But I needn't figure it that way. I can consider the stock money for that purpose, and if it increases, I can increase the number of prizes; if v.v., then v.v., or it may still be possible to finance them from other money.

One \$500. sum I will set aside as an experiment in good faith. I will invest it in Woodruff's best recommendation; and any increase from it will go to prizes. Any increase above \$500 or its equivalent in purchasing power.

The Gaffney prizes:

Shall I keep this secret? Or should I tell people about it and try to get them to follow suit? I certainly want those to whom I give the money to follow suit, for they will be the very best people to keep the thing going.

I can tell them that the fund was established by a friend of mine who wishes to remain anonymous. I can emphasize that this friend was a person of small means, & that he hopes the prize will be forwarded to some other. I will tell them the friend selected me to make the decisions, that I should send to the author of the best work I read during the year \$100.

I can tell them the friend was a young student who was struck blind in the war, is living on a small pension --

Or it could be a dead man, who left me this fund and request as he went into action --- who forbade me ever to use his name.

DEPARTMENT OF COMMERCE
BUREAU OF THE CENSUS
WASHINGTON 25

Stock prices are determined by yields vs mrr. Now the remarkable thing is that the yields from common may be about to rise at the same time the general mrr is about to fall.

The postwar shortage of capital - we-knew-just-how-to-invest is about over. This means inv. opp. have declined. This means co.s will stop investing, & pay bigger dividends - & the stockholders will have more m to re-invest in stock - bidding up existing stocks. The combination should skyrocket common - & to a lesser degree pfd. - stock.

Only hitch - possible deflationary results - but probly govt would offset.

& can mrr go lower? Well, just what mrr has actually been low? Just that on govt. bonds. This need not have affected stocks much? Nor company inv. - after all, corps couldn't borrow at low mrr. They had to use their own m to invest. Now we will have a resurgence of holding co.s etc - corp. profits used to buy stock - & up goes stock. So the mrr on commons can go much lower. esp. as laws are relaxed to let institutions buy them etc.

A big difference between now & 20s is we lack part of expansion potential of private ^{money} stock, because of bank limitations. But, tho new banks are to be unhelpful, old banks can expand greatly. Check these hypotheses vs. actualities of 20s, see how it went.

DEPARTMENT OF COMMERCE
BUREAU OF THE CENSUS
WASHINGTON 25

IN REPLY REFER TO:

The low *mr* may have meant co.s could do lots of bond financing cheaper than otherwise - & this would be favorable to common.

Actually the *mr* has not been low in sense that cap. was not productive. Immense govt. loans have certainly drained cap. from other uses, as has general war waste. The 'low *mr*' on bonds is mainly high liquidity, supported by govt. A rise in this particular *mr* would not mean a rise in others, if it were caused by govt's declining to further support bond mkt., for it would not indicate a smaller demand for stocks. In fact, it would cause people to get out of bonds, & thus increase demand for stocks! Only if it were caused by a greatly increased demand for loans by govt. would it raise *mr*.

DEAN WITTER & Co.

Selected Stocks
January, 1950

ANALYTICAL DEPARTMENT

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UNION CARBIDE & CARBON CORP.

Approx. Price	45	1949 Net Per Share	\$3.30 (Est.)
Yield	4.4%	Dividend	\$2.00

Union Carbide and Carbon provides a reasonable income, plus above average growth prospects and well protected earning power due to its leading position in the chemical industry.

Growth record largely reflects development of new products through research. As a result, sales rose 340% in the last 20 years and Union Carbide, which was largely dependent on heavy industry, has become a diversified leader in chemicals, plastics, industrial gases, iron and steel alloys and carbon products, serving all U. S. industry.

Profit record is unbroken for the 28 years for which data are available. 1948 net of \$3.55 a share set a new record. 1949 earnings have approached the 1948 level as growth in demand for new products has offset mid-year declines in activity of the chemical industry and the fourth quarter effect of the steel strike. Net for the nine months to 9/30/49 was \$2.30 vs. \$2.55 for the like 1948 period.

Finances are strong. The \$150,000,000 of long-term 2.70% debt represents about \$5.20 for each of the 28,807,000 common shares. At Dec. 31, 1948, current assets of \$356,000,000 included \$158,000,000 cash items, vs. current liabilities of \$125,000,000. With 1949 plant expansion having been well below the \$114,800,000 of 1948, finances should be even stronger at the 1949 year-end.

Union Carbide is currently selling at about 13 - 14 times 1949 estimated net of \$3.30 per share to yield about 4½%. This is a reasonable yield for the equity of this high quality, diversified company that appears to be the leader among "blue chip" chemical stocks. In view of the growth prospects resulting from the work of Carbide's outstanding research organization, the stock is good investment value at current prices.

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DEAN WITTER & Co.

ANALYTICAL DEPARTMENT

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Selected Stocks
November, 1949

KENNECOTT COPPER

Approx. Price	51	Est. 1949 Net Pr. Sh.	\$5.50-\$6.00
Yield	7.8%	Dividend - 1949	\$4.00

Kennecott affords the investor a satisfactory income backed by:

1. Kennecott's position as the world's largest and one of the lowest-cost copper producers.
2. Net current assets of about \$25 a share.
3. A leading position in the development of Titanium, a promising light metal.

Kennecott has been consistently profitable, with the sole exception of the year 1932. It has built up one of the most outstanding treasury positions in American industry with current assets at Dec. 31, 1948, of \$336,000,000 (including \$254,000,000 cash and governments) vs. current liabilities of \$57,000,000. There is no long-term debt or preferred stock ahead of the 10,822,000 common shares.

1949 earnings are expected to be the third best on record. Estimated 1949 net of between \$5.50 and \$6.00 a share has been bettered only in 1947 and 1948 (when net was \$8.67/sh.). Moreover, this estimate reflects expenses and loss of production resulting from a protracted strike at the Utah copper mine. This low cost property represents over 45% of Kennecott's world-wide production and about 65% of its U. S. output.

Kennecott's great treasury strength has made possible a dividend policy which has seen, in the last 10 years, average payments of over 60% of net to stockholders. Total 1949 payments amounted to \$4.00 with declaration of a \$0.25 dividend and a special dividend of \$1.50, both payable December 22 to holders of record November 30.

Kennecott is currently selling at about 8-9 times expected 1949 earnings to yield 7.8% on 1949 dividends. In view of Kennecott's strong operating position, great treasury strength and excellent long-term record, this seems an attractive investment basis for the stock.

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[This report contains condensed partial information, and while obtained from sources believed to be reliable, cannot be guaranteed.]

DEAN WITTER & CO.

ANALYTICAL DEPARTMENT

November, 1949

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CONTINENTAL CASUALTY CO.

Recent Price \$65/sh.
Liquidating Value \$85/sh. (est.)

Dividend \$2.50
Yield 3.8%

The spectacular growth of Continental Casualty over the past 15 years has been equaled by few American corporations. Net premiums increased from \$13 million in 1933 to almost \$78 million in 1948 or by 500%. Premium volume in 1949 continues to show splendid growth and is running about 9% ahead of last year.

Total assets have increased from \$20 million on 12/31/33 to \$104 million at the end of last year, of which cash and U. S. Bonds represented \$51.4 million, premiums receivable \$8.7 million, and other bonds about \$19 million. These very liquid assets total \$132 per share.

The stockholder has also benefited during this 15-year period, as the total gain from 12/31/33 to 12/31/48, market appreciation plus dividends, equaled 807.5% or 53% per year vs. an average annual gain of 13.3% for the Dow-Jones Industrial Average during the same period. The stock has done extremely well this year and the recent price is approximately 19% ahead of the 1948 close.

While the current market price is only slightly below the all-time high established in 1946, premium volume is running 50% ahead of the 1946 rate, earnings are 60% ahead, liquidating value has increased by 22%, total assets are 43% larger and the dividend rate has been increased by 25%.

Continental Casualty has paid a dividend in each year since organization in 1897 except for 1933 and the current rate, including the 50-cent extra, amounts to \$2.50 annually. The stock is selling at a 24% discount from liquidating value and at only 6 times latest earnings of \$10.74 per share for the 12 months ended June 30, 1949.

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DEAN WITTER & Co.

ANALYTICAL DEPARTMENT

Selected Stocks
February, 1950

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CATERPILLAR TRACTOR CO.

Approx. Price	35	1949 Net Per Share	\$4.89
Approx. Yield	5 3/4%	Dividend	\$2.00

Caterpillar Tractor combines a very good income from the regular \$2.00 dividend with a very reasonable price in relation to its excellent prospects and past record.

Caterpillar has been profitable in all but one year and has paid some dividends in every year since incorporation in 1925.

In 1949 Caterpillar completed a 4-year modernization and expansion program amounting to \$15.75 per share of common. The company begins 1950 with modern buildings and equipment which promise improved profit margins.

Caterpillar's increased and efficient capacity, top-grade products, and aggressive sales organization promise to recapture business that was formerly lost through allocations in effect until late 1949, as well as further strengthen its positions in the industry.

Caterpillar's 1949 sales and earnings established an all-time record with net amounting to \$4.89 per share vs. \$3.66 in 1948. While some of the benefits of new plant were reflected in improved 1949 profit margins, greater benefits are expected in 1950. It is anticipated that 1950 earnings will hold up well.

Caterpillar has also ended the year with a very strong treasury. At 12/31/49 current assets were \$95 million, including \$13 million in cash, vs. current liabilities of \$26 million. Net working capital of \$69 million more than covered the \$20 million long-term debt and \$25 million preferred stock ahead of the 3,764,000 common shares.

Caterpillar is currently selling at about 7 times 1949 earnings to provide an income of about 5 3/4% from the regular \$2.00 dividend. The stock has considerable investment appeal in view of its excellent record and favorable prospects for 1950.

What do I know that no one else does? Only on some such basis will I do well in stocks.

1. I know Woodruff, & his 1948 recommendations

DEAN WITTER & Co.

ANALYTICAL DEPARTMENT

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Selected Stocks
February, 1950

CONSOLIDATED EDISON OF NEW YORK

Approx. Price	29 1/2	1949 Net Per Share	\$2.35 Est.
Yield	5.4%	Dividend	\$1.60

Consolidated Edison provides a satisfactory income from a well protected dividend. It also has prospects for future increases in earnings and dividends due to the indicated change in the New York Commission's attitude toward the rate of return allowed public utilities.

Consolidated's investment prestige seems soundly based on:

- A 65-year unbroken dividend record.
- Its position as the world's largest privately owned public utility.
- A very conservative capital structure with 42.6% of total capitalization represented by common stock, 15% by preferred and 42.4% by long-term debt.
- A strong financial position. The company estimates it can make \$257 million capital expenditures in the next 3 years with only \$96 million of new financing - all of which is expected to be realized from sale of bonds.

Earnings are estimated at \$2.35 a share for 1949. This will fully reflect a temporary electric rate reduction made January 1, 1949. Leading utility analysts believe the New York Commission's rate decision in the Staten Island Edison case indicates a more favorable trend in public utility regulation. They feel continuation of this trend could permit Consolidated's earnings to increase materially over the next year or two to about \$3.00 a share.

Consolidated is currently selling at about 12.6 times 1949 earnings to yield 5.4% on the present \$1.60 dividend. In view of the quality of the issue we consider it sound investment value at present levels. In addition, the probability of increased earnings and dividends in the event of favorable rate decisions give the stock substantial capital gains prospects as these trends develop.

DEAN WITTER & Co.

ANALYTICAL DEPARTMENT

Selected Stocks
December, 1949

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OHIO OIL

Approx. Price	28	1949 Est. Net Pr. Sh.	\$6.00
Yield	8.2%	Dividend	\$2.30

Ohio Oil provides an income of over 8% from a dividend which seems well protected by earnings, ample cash resources and a straight common stock capitalization.

Ohio occupies a strong position in the Oil Industry with: (1) crude reserves equal to about 85 barrels a share and to about 15 years' output at 1948 production rates; (2) a strong Midwest market operation backed by a \$131 million (\$20 per share) postwar expansion program for which funds have been provided and which is almost completed. Formal opening on 10/5/49 of additions to the Robinson, Ill., refinery marked completion of a major step in the program to increase refining capacity 75% over 1948 levels, or to about one-half Ohio's crude production.

Earnings are expected to approach \$6.00 a share in 1949 despite lower crude oil prices and reduced output. While this will be below the 1948 record of \$7.52 a share it will compare favorably with any other year in Ohio's history and will be equal to 2.6 times the \$2.30 dividend.

Ohio's financial strength is outstanding: At Dec. 31, 1948, current assets totaled \$73,400,000, including \$37,700,000 cash items, vs. current liabilities of \$29,400,000. In addition, Ohio had \$10,000,000 U. S. Treasury Bonds and 481,000 shares of Mountain Fuel Supply stock (current value about \$9,800,000) which were carried outside of the current position. There is no long-term debt or preferred stock ahead of the 6,563,000 common shares.

Ohio Oil is selling for under 5 times the anticipated 1949 net of \$6.00 a share. It is selling close to the average price of 1946 - 1947 when earnings and dividends were well below 1949 levels. The stock seems reasonably priced in view of Ohio's great financial strength and adequate earnings protection for the \$2.30 dividend paid in 1949 - a return of over 8%.

DEAN WITTER & Co.

ANALYTICAL DEPARTMENT

November, 1949

g

AMERICAN INSURANCE COMPANY

Recent Price \$22/sh.
Liquidating Value \$25½ (est.)

Dividend 90¢/sh.
Yield 4.1%

American Insurance has paid dividends in every year since 1872. Prior to that date and since establishment in 1846, the company was operated on a mutual basis. The present 90 cent dividend is equal to only 65% of the current rate of investment income.

Premium volume of \$62 million in 1948 was almost 3½ times the volume written in 1938. Total assets showed a proportionate increase during the same period and on 12-31-48 were reported at just over \$100 million.

American earned \$2.36 per share in 1948 after a special write-off of 34¢/sh. actually chargeable to prior years. This proved to be the most profitable experience by far, in the company's history. However during the first six months of 1949 American's earnings again improved sharply, with the net for the period coming within a few cents of that reported for the full year 1948. We therefore expect that earnings for 1949 will approximate \$4.50/sh.

Assets have also experienced an excellent growth during 1949 and the liquidating value of \$25.65/sh. on 6-30-49 was \$1.83 above the 1948 year-end.

At the current market, American is selling at a 14% discount from liquidating value to yield 4.1%. This return is quite attractive for an insurance stock, particularly a company with a record of over 100 years of distinguished service to its policyholders and whose stock is considered a "blue chip" among these high quality equities.

D

136

Invest your money & future in the ocean! Here is an inexhaustible store of minerals & of water, & within my lifetime the processes will be begun of taking irrigation water & fertilizer from the ocean, in one operation, to satisfy in one step two of the most crying needs of agriculture.

How does one buy the ocean? 1. Get a patent on a means of taking minerals from it, or stock in co. with such a patent.

2. Buy land that is situated best to get minerals from it — salt co.s. Even in the near future these co.s may capitalize on their bittern~~ed~~ brine & make much more income. & when & if large plants are established elsewhere to make irrig. water with atomic power, thus lessening the scarcity value of salt beds, these still have great potential value as urban land.

Where else besides SF. Bay could you have salt works? You need sun, which cuts out the north. You need flats, which calls for a margin ~~near~~ where land & sea meet gently. You need salt water, which outlaws mouths of Miss. & other big R.s. Lack of turbulence doubtless helps, which casts doubt on all open coast. You must have land not already covered in a city. Tentatively, you probly must be in U.S.

So we have SF bay & Salt Lake & other salt lakes in the west. Salt domes in Texas. Not too much competition.

How about Napa City salt flats? & Moss Landing? Latter esp. is better location to sell to ag? No, but not so different. There are probably potential sites all around, none of which is used today because salt is so cheap, or because

Leslie controls them monopolistically. Reebur Plan would ruin Leslie. — Tho they probly would be compensated. Sac. R. fresh water spoils n. shore for salt.

DEPARTMENT OF COMMERCE
BUREAU OF THE CENSUS
WASHINGTON 25

IN REPLY REFER TO:

Like everything in SF, salt works there are vulnerable to war, & in war one would take great losses. But only for a short time, for the main asset there is land, space, indestructible. Salt Lake beds are farther from present mts, but safer. - & perhaps richer?

Remember, you want to buy something whose present value is the smallest ratio to its potential value. This suggests anything but S.F. But the other must have a present income also, & some security

When the big water purification & pumping plants are set up, why not put the liquid fertilizer in the irrig. water from the source, & save a haul? If the water was going to different areas of different needs, this might not be so hot, but at various junctions along distrib. system would be possible.

Why didn't Hutchinson make something of this? Various reasons, which are typified by his continuing to eat refined sugar tho he knows full well what it means. In line, he is not the kind who can or will get behind an idea & give his all to it. Besides that he has other shortcomings, most obvious. So it doesn't follow that the reason for failure is the ideas themselves.

When in Berkeley, get all old 'investment dope', see how Woodruff & Merrill Lynch made out.

What do I know to help me invest?

1. A very little about money, banking, the future of money in u.s.

2. What Merrill Lynch holds -- and this is probably as good advice as any I'll ever get.

3. What Woodruff recommends -- and I can check on performance of his past recommendations.

In fact, basically, if I'm convinced of the integrity of the Merrill Lynch organization, I need worry very little about it all. & I can ask them to let me in on some specials sometime.

Check Woodruff to see if he unduly derides Curb - lower profit?

4. A readiness and ability to study statistical data.

5. The Moody recommendations -- but they were way off on Le Tourneau.

6. Am. Inst. for Ec. Research, for general trends.

7. Winnetka contacts?

8. An ability to judge honesty of people, & to find out if there is any logic behind what they say.

9. Now here is something I know that practically no one else knows: from ocean water the salt co.s buy take the sodium chloride, leaving a residue containing all the other minerals, called bittern brine. This brine is of immense potential value as fertilizer, and some day perhaps soon it will be recognized. The co.s that own the salt beds will benefit. Buy their stock. Work in this line, get to know the angles, perhaps sell an idea to them and go to work for them. At least get Hutchinson's dope, verify it, and write an article. Ultimate goal seems to be to take the stuff, dried, to irrigation districts etc, put it in the water at the source. This is the cheapest way. There must be research, and the fertilization tailored to the needs of the area. An organization of soil chemists, sailors, etc., is called for.

Dean Witter Review

They boom Cal Pack. ^{- Del Monte} It certainly is in a position to benefit from CVP. It has expanded, since '46, in a declining industry. - & Goodness knows it serves an expanding area.

JRM holds Cal Pack, & he's stumped. He has 100 shares I judge.

They cite the advances of 1924-6 & 1934-6 as comparable to present, asserting advance to continue another $\frac{1}{2}$ year before reaction. Check behavior of inventories in those 2 pds.

The Analyst's Journal, 4th $\frac{1}{4}$ '49.

Pierre R. Bretey, Value of RR Securities.

Very good study. Shows net op. rev. as 90% of gross - which gives idea of soundness, security. Those with lower 90s (i.e., little ex. rev.) were mostly reorganized since '29.

among those not reorg.
Highest 90s: Kans. City South.; Wheeling & Lake Erie; N&W;
Pittsb. & Lake Erie; Pittsb. & W. Va.; Bangor & Aroostook; Virginian

Yet the Kans. City South, his highest 90, was running deficits all thru 30s, & no dividend from 1931-48.

✓ Marion Ross says her uncle owns some Kern Cty. Land Co., recommends it for steady dividends, not appreciation.

the Davis Review, May '50.

Some surprising figures, p. 8-9

"Commercial loan rates" have remained very low postwar. Their last hi yr. was 1932, when they ~~were~~ were 4.71. In '36 (next yr. listed,) were 2.68%. 1949 was first time they rose that hi again.

I am skeptical. Are the different cap mkt's that separate?

During '49, they declined, properly.

But loans of commercial banks, reaching a hi of \$43.3 b in '48, fell thru 2d $\frac{1}{4}$ '49, then rose. - all changes slight.

p. 11. Export surplus fell from \$11 b in '47 to annual rate of \$3.5 b in 4th $\frac{1}{4}$ '49, 1st $\frac{1}{4}$ '50 still more.

Financing the export surplus must have been a prime inv. outlet, insofar as it was done by private concerns. ~~This may have been a~~ Devaluation, by blocking this outlet, may have been big cause of stock mkt advance. Condliffe described this for us: The call loan mkt. used to put funds not financing foreign trade any longer into stock mkt. Check old notes on this. (as we go to war more than other nations, this inv. outlet will close, for we will have higher prices - may even borrow from them)

In general, economy is producing durables now, indicating a high real return on cap. - albeit mostly in consumer forms. When this slackens, look for the real bull mkt. Of course, it may slacken slowly over a few years, a long, slow, steady bull, culminating in a crash. - not complicated by bank failures.

Consumer credit has been expanding at \$2-3 b/yr. since war. Probably not overdone. It will stop expanding now.

The possibility of \$ devaluation should be considered. It would Δ our export surplus again, send funds to finance exports, & stocks drop. So, if you buy, look out for this.

Mag. of Wall St., June 3

The present credit expansion boom is that of the govt. -
guaranteed loan. But this, too, can fail - keep an eye on it.
July 19, pres. clamps down on this: various inv. opps, like cons. credit, housing, etc, choked off.
P.G.E. common. - one hears good things about them.

Flintkote looks good - & I can watch building cycle. Just
now I expect a continued long boom, & it pays 8%.
Common is spec. Record better than most in its line. Excellent financials.
Acme Steel. - new dividend & should last, they say.

Dow Chem. - diversified, but mg. exp. is expanding. (&
they can move into other oceanic extraction, even fertilizer)
Recent dividend & from 1.60 to 2.40, & earnings will be
5.50, so will be maintained. But costs 69. A wide margin.
If it falls much, pick it up.

Poliag is developing new products from basic raw materials, like
brine. Outstanding research record. Also ethyl, getting bromine
from sea water.

PGE pays \$2.00 yr, like clockwork. Costs 35. bid 30, for
6% plus. Growth expected, should & earnings - so, with
growth probability & sureness, looks good.

Watch this present drop, pickup bargains - better put in
extensive low bids, cancelling after so much spent.

July 20. O' Connor, of Albany Merrill Lynch,
says they say by now, think ~~what~~ will bounce back up soon.
R.r.s & food processors both good.

$$\begin{array}{r} 1.66 \\ 106 \overline{) 176.} \\ \underline{106} \\ 700 \\ \underline{640} \end{array}$$

$$\begin{array}{r} 3.3 \\ 36 \overline{) 181.60} \\ \underline{14} \\ 144 \\ \underline{36} \\ 504 \end{array}$$

$$\begin{array}{r} 184 \\ 33 \overline{) 151} \end{array}$$

$$\begin{array}{r} 1.7 \\ 29 \overline{) 50.29} \\ \underline{29} \\ 21.9 \\ 14 \overline{) 68.} \\ \underline{56} \\ 120 \end{array}$$

$$\begin{array}{r} 25 \\ 17 \overline{) 175} \\ \underline{25} \\ 4250000 \end{array}$$

$$\begin{array}{r} 3.25 \\ 40 \overline{) 130} \\ \underline{130} \\ 23 \overline{) 170.} \\ \underline{160} \\ 90 \end{array}$$

$$\begin{array}{r} 30 \\ 57 \\ 171 \end{array}$$

~~Western Auto:~~ 32m prop. leased - little perm. cap.
\$43/ha

	1936-9	1940-5	1946-7	x 40 ant. future	stock at present	x no. shares	Total assets	Total invested cap net w/ cap	x 40 mkt
Wayne Pump	4.25	2.10	4.40-5.06	170.0	23	\$6m	9	min. funded debt 0 = 7.7	7.3

Little comp - patents. - but does 25-30% business only. No funded debt.
New carburetors etc may reduce gas consumption.

Warren Fdy & Pipe	2.50	1.50	1.42-4.54	100	25	\$4,250,000	8.5m	8.2 - 4 = 4.2	4
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Owms mang. iron mine. With city extensions & universal water supply problem, should be good. - & iron depletion.

Victor Chem	1.15	1.48	2.65-2.47	46	46	\$3,400,000	22m	19 - 9 = 10m	1
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Buys phosphate rock, but owns ~~some~~ reserve.

Van Naman	1.70	1.80	3.25-2.60	68.00	14	5,040,000	12m	10 - 2.3 = 7.7m	4.9
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New Eng.

S Gypsum	4.40	4.10	9.90-10.00	176.00	106	155m	132	116 - 12 = 104	1.7
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Simmons	2.50	2.40	5.08	100	30	34m	52	41 - 18 = 23	3.3
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Maybe the unlisted asset is goodwill, which is evanescent.

Royal	1.50	1.30	3.0-3.49	60	18	18m	21m	16 - 6 = 10m	3.3
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Patent monop. the unlisted asset?

Donna-Dixie Cement	4.7	90	2.28-2.92	20	18	9m	13	11 - 2 = 9	1.1
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\$20 warrants to May 49

McGran-Hill	1.25	1.95	3.77-4.36	50	29	17m	30	19 - 2.7 = 16.3	1.7
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Zenith	2.20	2.50	150	8.8 (but)	22	11m	23m	11 - 0 = 11	4
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Most assets are end-of-life valued on basis of past yield. So double them or ignore them.

S&P spec. recommendations, July '48

Bucyrus - Erie

Celotex

Bigelow - Sanford Carpet

~~Am Mag 141:34-5 + Je '46~~

~~Time 46:77-8 517 '45~~

~~- Commercial & Financial Chronicle 163:2008 Ap 15 '46~~

~~" " " 161:1319 Mr 26 '45~~

Try to get stock permit.

~~Dumont, Zornich,~~

Consider pop. age distrib. My generation biggest. What
 Television row. does it want.

$$\begin{array}{r} 1.5 \\ 2 \overline{) 32} \\ \underline{21} \\ 110 \end{array}$$

$$\begin{array}{r} 1.8 \\ 35 \overline{) 62} \\ \underline{35} \\ 270 \end{array}$$

Administered prices probly will go up more than they have. Look for slack, as in
 steel & autos. 'Unfilled orders'.

~~Cetorex~~

1936-9	40-5	46-7	x 40	current price	x no shares	total inv. - bonds etc	ratio
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Brayns-Erie 80 1.40 2.08-3.81 32 21 26m 30-5=25 1.5. With such a
 cyclical company we must forgive low ratio. - the cyclical LeTourneau has high one.
 Orders for a year

~~CE~~

1.55	1.80	1.40 3.30	62	35	\$16	691 - 202 = 489	1.8
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Orders for a year. Price reductions.

When you combine safety of monop. with likelihood of price increases in present
 situation, where it allocates, is good.

One reason a company will hesitate to raise prices is unfilled orders will
 keep them going in future. They like a backlog of orders, esp. if their
 demand is volatile.

In present situation, producers with volatile demand probly under-
 estimate permanence of current rise, have much room left to raise prices.

Eliminate those with no backlog of orders.

" " low yields permanently - i.e., dominant co.s. I want
 allocate income & risk.

Zenith, Philco, LeTourneau, Van Norman, Warner Pipe, Simmons, Royal
 Mohawk, Firth,
 allocate output allocation not mentioned alloc. not ment. Slight earnings drop expected
 allocation not mentioned. Raw material worries - but ultimately this is strong point.
 doesn't move much. No allocation
 has trouble having steel allocated to it. Doesn't allocate.

1.4
34/48
34
140

Most earnings jumped in '47. Did mkt? No - not until '48.

Cash ~~for~~ holdings high in '32, & now.

Bonds will have given more leverage in past 3 yrs than they will in future.

Another test: how has it behaved recently ch. to prospects.

Co.

Earnings ~~per share~~

past

antic. future

excess cash
not firm's resources
~~share price~~

per share
(everything above
liabilities current)

+ share of
idle resources

stock price
est value

mkt Book
~~price~~

X SKG

variable c. 1.3 in
war. 2.1, '46-10.1, '47

2 or better

0 1.66

40 + 0

~~24~~ 21-32
~~21-32~~

~~Wx~~

36-9; 40-45; 46-7;

+ 1947 melen to cut
for dividends

\$3.50 1.9

54 + 3.50

has risen
much
28 26

X WX

1.35 1.80 .65-3.39

2.70

\$3.50 1.9

54 + 3.50

28 26

X IAD

2.30 2.40 3.18-6.10

4.60 +

7.00 2.0

92 + 7

44
~~34-46~~ 31

X IR

3.40 3.35 4.64
8.03

6.80 +

5.00 1.9

136 + 5

72
~~53-76~~ 26

X DGR

~~HL~~

volume
1.60 2.00 2.03
6.19

? 2.40
4.00

1.4 48
2.3 80

34
~~74-76~~ 24

FTH

volume
.50 .60 2.44
2.60 ? 1.00 - 2.50

1-2.5 20-50

19
~~14-24~~ 11

X OT

1.10 1.10 2.36
3.41 2.20 +

1.4 44 +

32
~~37-74~~ 23

MOK

1.40 +
or 2.70 2.60 4.77
5.15 4.00

2.1 80

38
~~32-51~~ 44

LTV

3.35 4.25 .97
6.33 def 6.70

7.9 134

17
25

Banknote Co.

Banks

est value/mkt value

one big deficit did it. - long strike.

	1936-9	1940-5	1946-7	1x40	Stock at present	1x no. shares	Total assets	Total inv. cap. - funded debt & pref.
Rogers-Sand. Cpt.	1.90	1.35	1.25-3.45	76	61	\$1.8m 18m	38.5	33 - 8.5 = 24.5

Bucyrus Erie

Celotex

GE

Check on S&P's past recommendations, how they worked out.

		1948 Price	Fall Div.	Now	Div.	Remarks
-	Mohawk Carpet:	38	3.00	32	2.00	
-	Firth "	19	1.60	13 $\frac{5}{8}$	1.00	S&P says 'Buy'
	Spencer Kellogg :	24 $\frac{3}{8}$		32		
++	Philco	34	2.00	51	2.00	
-	Ingersoll-Rand:	72	4.50	67		
+	Westinghouse	28 $\frac{1}{2}$	1.25	34		
good div.	D&RGW pld	48	5.00	47	5.00	
-	Inland Steel	44 $\frac{1}{2}$	2.00	39	\$.50	
+	Otis Elev.	32	2.00	38	1.50	S&P said 'Buy'
++	Zenith	32 $\frac{5}{8}$	1.50	65	2.00	
0	Bucyrus-Erie	19	1.50	18	.40	S&P 'Buy'
0	Nash-Kelvin.	18	1.40	20		Woodworth recomm.
(+)	Soudabaker	24	1.00	32		W. said Nash better
-	Royal Typemr.	27	1.60	20	2.00	
+	Warren Fdy. & pipe	27 $\frac{3}{8}$	-	31		
-	Van Norman Co.	12		10		

Spencer Kellogg

1,222 shares at \$25/sh.

$$\begin{array}{r} 1222 \\ \times 25 \\ \hline 6110 \\ 24440 \\ \hline \$30550,000. \end{array}$$

~~35.4~~ 305.5

So market evaluates it at \$30.5m

It has ~~\$25m~~ of current assets, ~~But maybe this~~
disregards bonds, whose evaluation is probly pretty accurate. Question is, are
other net assets worth 7.5m? They claim they're worth 18, 15m bonds = 15m.

$$\begin{array}{r} 900 \\ 4899 \overline{) 29,900,000} \end{array}$$

$$\begin{array}{r} 313 \\ 13 \overline{) 49,000,000} \end{array}$$

$$\begin{array}{r} 6+ \\ 4900 \overline{) 30,000} \end{array}$$

$$\begin{array}{r} 8.1 \\ 2 \overline{) 16,300,000} \end{array}$$

$$\begin{array}{r} 2.5 \\ 600 \overline{) 1,500,000} \end{array}$$

$$\begin{array}{r} 6 \\ 4 \overline{) 24} \end{array}$$

$$\begin{array}{r} 1.6 \\ 24 \overline{) 40} \\ \underline{24} \\ 160 \\ \underline{144} \\ 16 \end{array}$$

$$\begin{array}{r} 1.92 \\ 28 \overline{) 540} \\ \underline{28} \\ 260 \\ \underline{252} \\ 80 \end{array}$$

$$\begin{array}{r} 2.0 \\ 44 \overline{) 92} \\ \underline{88} \\ 40 \end{array}$$

$$\begin{array}{r} 1.89 \\ 72 \overline{) 136} \\ \underline{72} \\ 640 \\ \underline{576} \\ 64 \end{array}$$

$$\begin{array}{r} 2.3 \\ 34 \overline{) 80} \\ \underline{68} \\ 120 \end{array}$$

$$\begin{array}{r} 7.9 \\ 17 \overline{) 134} \\ \underline{119} \\ 150 \\ 3 \end{array}$$

$$\begin{array}{r} 1.4 \\ 32 \overline{) 44} \\ \underline{32} \\ 120 \end{array}$$

Television, elect eq., chemicals, bldg supplies, household equipment,
 RCA, GE, Wx, Philco, Zenith, Arment.

Did utilities rise in '46? yes.

Stocks now sell at very low multiple of earnings, cf to 1929 when they sold for 19-20 times earnings, due to anticipations of rise. Now falls are anticipated.

Many cash positions are extremely strong.

"Earnings" as opposed to "dividends" is a key idea. Now earnings are high, dividends low, yet even on dividend basis stocks are yielding 4-6%%

Cash positions very good. --and other liquid assets. Some stocks selling for less than cash held by company.

Construction stocks rose as soon as it looked as tho war was won. So market beat me to it -- but how much? Anyway, this suggests I must be more subtle. Look for company of falling costs rather than increasing demand.

(Otis elevator will be particularly good in late boom, when apts and skyscrapers multiply)

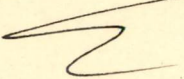
It's quite remarkable what is happening: companies are expanding by plowing back, despite their high cash positions. Thus everything points to the future -- at least according to Mr. Woodruff.

They charge: 6% on first hundred, 1% on succeeding hundreds up to 1,000, when they charge $\frac{1}{2}$ % per hundred. ~~So~~ The hundred is of ~~whzxyzxyzxyzxyz~~ particular stocks, not of what you buy total. So I cannot diversify too much. In fact, with the first 1,000\$ I'd better buy just one stock, or maybe two. And I'd better plan to hold it some years. They get you when you buy, and when you sell -- if you sell thru them.

R.r.s in expanding areas look good -- bonds paid off, some of them. Watch for ~~too~~ much bonds. Try to get a little dope on "personality" of management, rights of stockholders.

Odd, effect of income tax now seems to be, tho discouraging venture capital in one way, to encourage it in another -- at least, expansion by existing concerns, which is venture capital in a sense. Encourages concentration ofcourse.

With G.E., safety in diversity, also ~~the~~ ~~the~~ opportunity
in electricity's lower real price.



Electric power co.s should do well, on coast.

Pride Theory

Ec. History

Money etc - 235A

Bus. org. - 216A

Write Dept T-5, M. Lynch etc, to Pine, Nrs-
for 'How to Invest' see agent who comes, ask
about job.

Matt - get commt dope from Jim.

Mag. of Wall St. - ~~anti~~ current deflation, etc,
keep mkt. down. (But past experience shows
that may be irrelevant)

1948 profits of ~~most~~ ^{40%} companies lower, but oil
autos & mining did very well, total rose.

Consumer goods now seem unable to rise
further, but steel, oil, & autos can raise prices
much more without reducing production.

Postwar policy to keep much of earnings.

— oil has been spectacular, & is expanding.

Was there a 'cost rise' in 1920 like now?

Get FR charts to date.

✓ Utilities should be good, too, as housing
grows.

Some industry whose raw material is a food
but whose market is not.

Diversification among many unknowns
maybe safe. Television? De Mont?

Woodruff called the other day with a
'special offering' stock. It was all gone in 2
days or less. Perhaps they give special bargains
to disappointed speculators, to bring them back in.
Wait for a 'special offer'.

Check into this borrowing privilege.

1957, borrowing privilege
was cut.

Refund on G.I. Insurance
due someday.

Thurs, March 24

Woodruff said LTV
earnings statement out
this AM, showed \$200,000
loss.

I ordered to sell 3 at
mkt, nothing under \$10.

check will come Mon. if it
trades fri.

AMERICANS FOUND COOL TO INVESTING

Reserve Board Study Explodes
Theory We Are Prone to
Take Risks With Savings

WASHINGTON, July 17 (AP)—

The Federal Reserve Board revealed today that Americans are not as prone to risk their savings in investments as had been supposed.

The board said a survey made this year turned up the following information:

1. Only about 6,000,000 of the nation's 145,000,000 persons own stocks and bonds—not counting Government Savings Bonds.

2. The "great majority" of the country's 48,400,000 families prefer to own things with fixed value, such as bank deposits and Government bonds, rather than those with changing value, such as real estate and securities.

Even among families having incomes of \$7,500 or more a year—making up less than 10 per cent of the population—"at least two-thirds" expressed a "definite preference" for assets of fixed value, the board said.

Which led the board to another tradition-cracking finding: "income status did not make a vast difference in the investment plans" of families with \$1,000 or more readily available in savings.

Few Own Stocks

The survey indicated that only 5,500,000 persons — representing 4,500,000 families—own corporate stocks. The board estimated another 500,000 own bonds of corporations, states or cities, although it said that total may be a little too low.

Checking into the investment preferences of persons who make more than \$2,000 a year, the board found that:

1. Government bonds are preferred to bank deposits, although not so strongly as a couple of years ago.

2. Among families who prefer assets of changing value, real estate holds an edge over securities and common stock is rated the "least attractive" type of property.

The main arguments for bank deposits were "safety" (mentioned by 18 per cent) and easy conversion into cash (12 per cent). But the fact that little interest is earned was regarded as a disadvantage by 19 per cent.

Sixty out of each 100 families said they hold savings bonds "primarily because of safety and secondarily because of the rate of interest received."

In contrast, 58 of each 100 families "gave reasons against holding" real estate and 62 of each 100 against holding common stocks.

Most of those hostile to real estate investments considered prices too high. Others considered real estate "not safe, a gamble."

Thirty of each 100 families queried said simply they were "not familiar" with common stocks. Another twenty-six regarded them as a "gamble" but only three in 100 thought stock prices "too high."

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Ross: speculation, stock prices, and industrial fluctuations..

"earnings", were at 136 in 1929, 100 '26, 53 '24. But stock prices rose even faster.--of 161 ind, r.r., ut, co.s Increased output without increased prices did it. But "returns to invested capital" were c. 8% in '28-9, this was not increase over 1926. '27, 7%. i.e. the higher earnings mentioned above must have been because of more capital invested between times, not higher rates.

Inventories increased until 1930, fell ~~xxxx~~ to '33.

This is a good book for cycle study some day. But from it I get only two basic ideas, which always were basic: prospective earnings and ir, i.e. relation to prospective earnings elsewhere, are what count.

From Winkelman I learn that one must beware of publicity campaigns and even book rigging that deliberately encourage wrong investment. Of course he was written before SEC but who knows what may get by them.

Another series I met get on stocks of interest: "current assets" cf to stocks mkt value. But this involves figuring out how much of those assets are pledged to preferred and bonds -- tho that wouldn't be too tough.

Thought:

RGE is about to get a score from
St. Lawrence power proposals?

Byron Jackson is low, should follow
oil's back up.

to shift .. keeping out \$150.00 to Δ
liquidity.

— Pretty scarce hunches to play around on.
Get further dope.

Matt's Nat. Lead Man recommends Armon

This lull in stock mkt
may be a good time to drop a
utility & pickup Burroughs?
See Woodruff

—
Am Tot. 690 is low.

N&W down, & C20, to
last summer's levels.

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