

# New High for Corporate Profits Predicted by Analyst for 1959

By ELMER C. WALZER  
UPI Financial Editor  
New York (UPI)—There has been talk that this stock market has risen on nothing sounder than inflation hedging and that it has far outstripped its level on the basis of corporation earnings. Edmund W. Tabell, analyst for

Walston & Co., refutes this thesis. Admitting the market is high on the basis of present earnings, Tabell holds that the odds seem to be better than even that corporate profits will reach a new high in 1959.

"Thus," he says, "if the Dow-Jones industrials earn \$40 next year (not optimistic if the auto industry has a normal year) the price-earnings ratio on present prices would be 13.5 instead of 19. Taking \$40 earnings on a 15 times price-earnings ratio (not unheard of in times of high investor confidence) produces a Dow-Jones industrial average of 600."

In the next couple of years, the earnings of the Dow-Jones group could rise to \$50 a share. Fifteen times \$50 would bring an average of 750 and 18 times that amount would mean an average of 900.

Further To Go  
Tabell says the stock market is in its third phase of advance and that it has much further to go, although there could be a downside correction to 520 in the average for industrials which on Nov. 17 hit their record high of 567.44.

He looks for a more selective market next year with leadership less outstanding than that of 1958. He expects to see more demand for the secondary issues — low-priced shares.

He doesn't believe the market has advanced too rapidly and points out that the recent high was only slightly above the top set in April of 1956 and only some 10 per cent above the peak reached three years ago in September, 1955.

An examination of stock market trends, he says, turns up some interesting figures. "Stock prices have risen for some nine months and general business has been moving ahead for some five months," he notes. "It will be seen that in five of the seven previous business recoveries since 1921 stock prices had been rising for at least as long or longer.

Not Out of Line  
"The magnitude of the rise (about 17 per cent since business turned up in April) is also not out of line with previous recoveries. Indeed, only two of the seven previous recoveries showed a perceptibly smaller increase in stock prices after the business low. "Thus, there is hardly anything unusual in the extension of the stock market rise to date."

Tabell maintains some 2,000 charts and graphs to follow the technical action of the market as a whole and individual securities. "The technical action of the 1,200 individual issues I chart," he says, "indicates that the majority of them are forming broad accumulation areas that indicate considerably higher levels between now and the early 1960s.

"The best source of action at the moment, therefore, is not to try and mastermind the market but to examine the outlook for individual issues. "Concentration on values and a diligent search for increasing earnings will be as rewarding in the future as it has been in the past."

## London Fog Said Becoming Killer

London (UPI)—A British scientist warned today that the pea-soup fog that has blanketed Britain for 25 days is turning into a killer smog. The scientist was Dr. B. T. Cummings of the London's Bartholomew's hospital which treated hundreds of victims in 1952 when a killer smog took the lives of 10,000 persons.

The disastrous smog followed the same pattern. London and the surrounding counties were blanketed for weeks by a crippling fog until coal and other fumes turned it into a death blanket.

Today the heavy blanket covered 30 counties extending over an area of 28,000 square miles. Cummings said smoke pollution in the air over London had passed the safe limit.

"It could be the start of the same kind of smog we had in 1952," he said.

## ACTOR REPORTED OKAY

Los Angeles (UPI)—Character actor James Gleason, 76, was reported in satisfactory condition today at Queens of Angeles hospital. The veteran performer was taken to the hospital Monday for major surgery and was said to be making a good recovery. He should be able to leave the hospital in about a week, doctors said.

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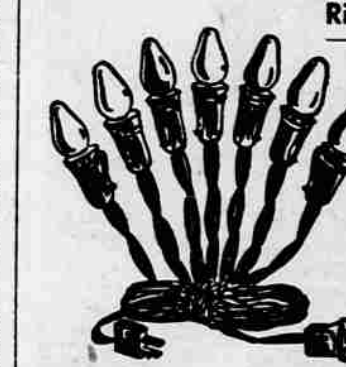
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