Abreast of the Market

Stocks in Sharpest Break in 4 Years; All Groups Hit; Volume at 2,540,000 Shares

The stock market tumbled yesterday in the sharpest break since June 29, 1950, a few days after the start of the Korean war. The industrial average closed at 321.00, off 2.12%, the railroads at 106.51, off 3.23%, and the utilities at 57.39, off 1.19%.

There was no news to account for the sell-off but traders said the market had acted tired for a week or more. They stated there had been a widespread feeling in Wall Street that a correction was overdue after the almost perpendicular rise in the industrial average since last September.

The decline in the railroad average was the sharpest since September 3, 1946, and the break in utilities was the worst in a year. No group of stocks was spared in the selling, which became pronounced shortly after 11 o'clock, when the tape lagged behind sales for about 25 minutes, running as much as four minutes late.

Volume of 2,540,000 shares compared with 1,520,000 Monday. In the second hour, with the tape behind, 970,000 shares changed hands. The day's turnover was the largest since last May 21, when the volume was 2,620,000 shares in a rising market.

Railroads showed the widest percentage break yesterday, with leading stocks at one time down from one to five points. Atchison, Atlantic Coast Line, Rock Island, Illinois Central, Seaboard, Southern Railway and Union Pacific were among the roads suffering sharp declines.

Utilities were not as active as other divisions bu' they too lost ground in the general selling. Panhandle Eastern was weak.

Chemicals were under pressure although Allied Chemical made a strong show of resistance. Du Pont, Dow, Mathieson and Union Carbide had periods of activity and weakness. Electricals were lower but when the market steadied they rallied easily, particularly General Electric, old and new. Steels lost ground, as did the motor shares. Chrysler was a more active issue and some short covering was reported in the shares at the lows.

Oils retreated. Standard Oil (N. J.), a firmer issue recently, gave ground sharply and Texas Pacific Land Trust at one time lost a lot of points even for a higher priced issue. Cities Service was weak. Phillips continued to reflect selling growing out of the Supreme Court decision Monday upholding Federal regulation of sales of natural gas to interstate pipe lines.

Airplane shares suffered from selling but received support when the market was weakest, Boeing and United, in particular, showing resistance to the heavy selling.

Among the specialties, Procter & Gamble was lower, and Diamond T Motor broke following announcement that the company's chairman had refused an offer for his stock. Telephone was lower but brokers reported considerable investment buying on the reaction. Minnesota Mining, Thompson Products and Bullard were sharply lower. Chicago Pneumatic Tool was stronger following announcement of the split but lost some of the early gain in subsequent general weakness.

Most stocks on the American Stock Exchange were lower. U. S. Foil, Atlas Corp. warrants, Tri-Continental warrants and Humble Oil were among the weaker issues. Namm, Superior Tool and Shattuck Denn were stronger in the face of the decline.

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Heard on the Street—

FROM BUSINESS: **North American Aviation** has received an order for $86 million worth of additional F-100 supersonic jet fighters and **Lockheed Aircraft** has been given a contract for $57 million of C-130 turboprop cargo planes, according to trade reports . . . **Allegheny Airlines** (American) flew 3,353,000 passenger miles in May, a 45% gain over the like 1953 month. . . . **American Telephone** supplanted **General Motors** in 1953 as the company paying the largest amount of cash in common dividends, increasing disbursements to $367.7 million from $319.7 million the year before. Payments made by General Motors were off a trifle at $348.7 million from $349 million in 1952. The next three most generous corporations last year were **Standard Oil of N. J.**, which paid out $272 million, **Du Pont**, which disbursed $172.5 million and **General Electric**, which paid $121.6 million, according to a tabulation by The Exchange, official publication of the N. Y. Stock Exchange. In fifth place in 1952 was **Standard Oil of California**, which dropped to seventh last year behind **Texas Co.**, having paid out $86,019,576 each year while Texas Co raised its total common dividends to $93.4 million in 1953 from $82.5 million in 1952 . . . **Universal Cyclops Steel** edged **Hayes Manufacturing** out of 10th place on the list of highest yielding common stocks on the Big Board at the end of May Again headed by **Pacific Coast Cos** and **Roan Antelope Copper**, the nine highest yielding stocks remained unchanged from April. Upward trend of the market last month, however, cut the number of common stocks on the Big Board yielding 10% or more to 19 from 31.

FROM BROKERS: A dividend increase is considered possible for **Dresser Industries** if the earnings uptrend continues unabated. . . . For the year to end June 30 **Columbia Pictures** is expected to earn four times as much as the 99 cents a share reported for fiscal 1953. . . . Expiration of the excess profits tax is expected to hold any 1954 decline in net of **Eastern Airlines** to about the same as the 23 cents a share drop last year to $3.20 a share. . . . **United Shoe Machinery** (American) probably will earn more in the year to end next February 28 than the $3.15 a share reported for fiscal 1953.

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Taylor Instrument—

Net income of Taylor Instrument Cos. (over the counter) for the three months ending July 31, final quarter of the fiscal year, is expected to be about in line with average results for the first three quarters. In that period, earnings of $892,175 were equal to $4.94 a common share, nearly 2½ times the $361,669, or $2 a share, reported for the corresponding part of fiscal 1953. Optimism on the firm's outlook stems from its large backlog of orders in connection with the Government's atomic and hydrogen bomb projects, which supplements a sustained demand for Taylor's civilian goods.

Sales for the nine months ended April 30 rose 31% and new business booked was up 16% from that of the like period a year ago. The fact that the rise in earnings has outstripped that in volume is the result of "high level production, concerted efforts to control costs and expenses and a constant process of improving methods, procedures, and human skills," says Raymond E. Olson, president. Net for fiscal 1953 dropped to $653,241, equal to $3.62 a share, from $1,050,020, or $5.82 a share, the year before.

MARKET DIARY

	Tues.	Mon.	Fri.	Thur.	Wed.	Tues.
Issues traded	1,243	1,174	1,147	1,156	1,177	1,154
Advances	125	359	370	502	377	525
Declines	922	505	490	354	516	350
Unchanged	196	310	287	300	284	279
New highs, 1954	16	60	65	75	91	102
New lows, 1954	22	7	7	6	6	2

DOW-JONES CLOSING AVERAGES

--------TUESDAY--------

	1954	Changes		1953	Changes	
Industrials .	321.00	−6.96	−2.12%	263.39	−4.52	−1.69%
Railroads ...	106.51	−3.56	−3.23%	99.58	−3.48	−3.37%
Utilities .	57.39	−0.69	−1.19%	48.44	−0.80	−1.62%

Ex-dividend of Loew's Inc. 20 cents pulled down the Dow-Jones Industrial Average Tuesday by 0.03.

Ex-dividend of Delaware & Hudson Co. $1.00 pulled down the Rail Average Tuesday by 0.10.

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Long-Bell Lumber—

Despite the fact that construction business is at boom levels and the lumber business is considered to be generally satisfactory, Long-Bell Lumber Co. of Missouri (over the counter) is not doing as well this year as last. The chief reason is that the firm is not getting a net realization on its cut comparable with last year. In the first three months of 1954 the average weighted price received for lumber at all its mills—on the West Coast as well as in the South—was about $10 per thousand board feet less than last year. In recent weeks improvement has been noted in some items but on others further price cuts were necessary to stimulate business.

First quarter net of 41 cents a share was the smallest for any comparable period in eight years, some 45% under the 74 cents a share earned on each of the 1,991,130 common shares in the first three months of 1953. Revenues slipped only 10%. The second quarter also is expected to be less profitable than last year, when $1,522,415, or 76 cents a share, was earned in the three months ended June 30.

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General American Transportation—

Net profit of General American Transportation Corp. in the second quarter "should be on a par" with first quarter results, according to W. J. Stebler, president, who doesn't care to forecast this early results for the final six months of the year. He believes, however, that 1954 "will be a better year than 1953." The firm's net in the three months ended March 31 rose to $2,731,931, equal to $1.25 a share, from $1,746,765, or 80 cents a share, in the like 1953 period. This represented an acceleration of an earnings trend which resulted in 1953 net advancing to $7,380,007, or $3.38 a share, from $6,488,983, or $3.03 a share, the year before.

Of first quarter profits, freight car leasing contributed 65%, terminal tank storage 15% and manufacturing 20%. One-quarter of the latter figure represented profit from the firm's plastic division which had been operating in the red for several years. General American expects that plastics sales will double in the next five years and "hopes to complete plans this year and next for extensive additional diversification." If these plans are successful, Mr. Stebler says, "diversification in the years 1953 through 1955 will result in great forward strides." In recent years, General American, which builds freight cars for others as well as for its own fleet, has broadened its manufacturing to include process equipment, vessels for storing liquids and gases, plastics, and sheet metal screws. Car building for railroad buyers no longer is "a vital activity" to the corporation, and its earnings do not suffer proportionately when outside orders drop sharply. Mr. Stebler says that contrary to the generally lower trend of carloadings, business of the General American fleet is holding up well. A substantial volume in chemicals and flour and other food products is responsible.

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Baltimore & Ohio—

Baltimore & Ohio Railroad handled more loaded cars during May, on a daily average basis, than in the months immediately preceding but its freight business continued to run sharply below the exceptionally high levels of last year. For the 25 working days of last month the company handled an average of 8,684 cars a day, compared with 8,191 for 26 working days in April and 7,926 for 27 working days in March. The daily average in May last year was 10,998 cars for 25 working days. This year-earlier average, reflecting almost capacity operations by the steel industry at that time, was the largest for any month last year and one of the best performances for any post-war month. Total loadings in May were 217,095 cars, a drop of 21% from the 274,960 in the like month last year. In April loaded cars totaled 212,970 and in March 214,044.

The company reported good improvement last month in ore traffic. Petroleum products loadings also were doing better but steel business ran only a few cars ahead of April. Although gross operating revenues in the first four months this year declined 16.9% from a year ago, the road was able to show a net income for each month. For January the net was $1,076,164, for February $825,055, March $856,703 and April $1,110,842. The four months total came to $3,868,764, compared with $7,622,921 for the similar 1953 period This net income is after fixed and contingent charges but before capital and sinking funds

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Union Wire Rope—

Union Wire Rope Corp. (over the counter) is expected to earn more this year than the 95 cents on each of the 600,000 common shares outstanding reported for 1953. On the basis of the 600,000 shares, the company earned $3 cents a share in 1952. Expectations of higher earnings this year are based on the expiration of excess profits tax, which cost Union Wire some 48 cents a share last year, and completion of a five-year, $3 million expansion and improvement program. The company now has what it says is one of the most efficient high-carbon wire and wire rope mills in the country.

The company split its common stock two-for-one in March, 1953, and sold an additional 100,000 shares of the new stock. Net proceeds to the company were $1,351,125. Sales last year rose only to $12,232,629 from $11,114,228 in 1952 and early this year volume was said to be running "comfortably ahead" of 1953. At the latest report, current assets amounted to $4,466,100, including $1,307,154 in cash, and current liabilities totaled $1,892,781, including $1,228,366 for income taxes. Late in 1953 the common stock was placed on a 25-cent quarterly dividend basis. This indicates an annual outlay of $600,000, up from $375,000 in 1952.

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Market Views—

OPINION: Said L. O. Hooper of W. E. Hutton & Co.: "At the moment, it would seem that too many people are thinking in terms of a top in the Dow-Jones industrial average somewhere around 330-335. The chances are that this rise will do better than that, and that a correction will come only when fewer are thinking about it." . . . Kenneth Ward of Hayden, Stone & Co.: "A 10 or 15 point correction down to 310-315 in the Dow-Jones industrial average, led by the higher priced issues, would be quite normal, healthy and not unexpected, especially after an eight and a half month uninterrupted advance, and not because of the international developments and tension in the explosive Far Eastern situation. While the odds favor such a setback, it cannot be clearly defined at present." . . . Waldo Allen of Mitchell, Hutchins & Co.'s Chicago office said: "The industrials may remain desultory but at any time now the rails roads may spring a surprise and tackle the 112.53 level."

ANALYSIS: May & Gannon, Inc., Boston, has briefs on **Heywood-Wakefield Co.**, and **Milton Bradley Co.** . . . Aircraft manufacturing stocks are discussed by J. H. Allen of Cohu & Co. . . . Reynolds & Co. has a review of **Granby Consolidated Mining, Smelting & Power Co.** . . . Thomson & McKinnon discusses "electronics investment potential." . . . Orvis Brothers & Co. has a review of **Great Northern Railway Co.**

—EDITED BY OLIVER J. GINGOLD