



WALL STREET THE SWEETEST STOCKS OF '67

BY CLEM MORGELLO

The stock market had little to show for all the activity it went through last week. Volume on the New York Stock Exchange amounted to 57.7 million shares, fourth highest on record, and the Dow Jones industrial average slipped to 880.61, for a loss of almost 7 points—a modest decline in light of the pressure of tax selling.

Whatever the general market trend, there are always some stocks that rise. But investors find it harder and harder to buy the "right" stocks. As difficult as it may be, the search can obviously prove rewarding, as successful investors are prone to boast year after year after year. And 1967 has been no exception. Though the Dow Jones industrials have risen only 11 per cent and the broader averages about 20 per cent, many individual stocks have doubled and tripled—or more—in value. Bernard Graham of Hardy & Co. keeps records on about 1,000 issues (mostly Big Board, but with some Amex and over-the-counter issues) and Control Data, with an increase of 392 per cent, is at the top of that list for the first eleven months of the year (table). Of course, there are stocks not on Graham's list that have done even better. Among them: Gale Industries, up 838 per cent; Republic Corp., up 780 per cent, and Perfect Film, up 394 per cent.

COMMON TRAITS

The most obvious generalization about the best-acting stocks is that almost all weighed in with higher profits in the face of a general decline. Some of the top performers also shared other similarities. There is a good representation of firms in the electronics and computer fields. This includes not only Control Data, but Conrac (formerly Giannini Controls), California Computer Products and Adams-Millis. The last-named, which makes memory disk packs for computers, got an extra boost this year from the miniskirt vogue. It has a hosiery division that manufactures the fancy stockings that seem a necessary accessory to the miniskirt.

Few investors would include hotel companies in their lists of glamour stocks, yet three hotel firms are among this year's leading market gainers. These firms did little for several years, explains Arthur Bullock of Paine, Webber, Jackson & Curtis, but now business is getting better and better

as people travel more. Old hotels and motels are being torn down, to be replaced with new ones.

The merger game is one activity shared by an overwhelming number of the top-performing stocks. The acquisitive conglomerates such as Teledyne and Ling-Temco-Vought obviously fall into this group. Ward Foods is sometimes classed as a conglomerate, too. Though it isn't as diversified as Teledyne or LTV, it is aggressively buying up companies related to the food industry and has long since stopped being just a baking company.

Investors who spotted turnaround situations have made a good deal of money this year, and Mattel, Inc., illustrates the point. Earnings of the West Coast toymaker started to decline after 1963, but then made a turn in the last quarter of 1966. So

far this year, Mattel's net is running 44 per cent ahead of a year ago—and its stock is up a fat 345 per cent. Tandy Corp. is not a turnaround situation itself. But it specializes in finding and buying ailing companies in the retail field (example: Radio Shack) and putting them into the black—and it enjoys the extra advantage of lower taxes because of the tax-loss benefits it picks up at the same time.

OUT OF THE ORDINARY

Zeroing in on a company with a unique or outstanding product has also been a way to make profits this year. Sundstrand Corp., for example, is just about the only free-world supplier of constant speed drives, a device used in all jet engines. Monarch Machine Tool enjoys a strong position in numerically controlled lathes and vertical drills. Helmerich & Payne, a name that relatively few investors recognize, has climbed 157 per cent this year. It drills for oil and gas, among other things, and is making a big move into offshore drilling. Offshore reserves have been steadily growing in importance, especially since the latest Middle East crisis, and Helmerich has developed a new offshore drilling rig that is extremely mobile and can drill in greater water depths.

And then there is the Missouri-Kansas-Texas Railroad, whose stock has risen 153 per cent this year. To find a railroad stock among this year's gainers is surprising—and to find the Katy road there is even more surprising since it has been losing money for years. The Katy's performance is based on faith and hope—faith in its president (since 1965), John Barriger. "He has a personal reputation as a surgeon of sick railroads. He is one of the dominant intellectual influences of American railroading in the twentieth century," says Karl Ziebarth of Hayden, Stone. The hope is that the Katy's plan to reorganize into a holding company to permit it to diversify beyond the railroad business will turn a sick and weak company into a profitable one.

Undoubtedly, many of this year's favorites will be replaced by others in 1968, just as leaders have been superseded in the past. Among the top-performing groups last year that failed to field strong candidates in 1967: broadcasting and airlines.

THE YEAR'S LEADERS

Here are major stocks that made some of 1967's biggest gains through the end of last month.

	% increase
Control Data	392
Mattel	345
Hotel Corp. of America	337
Hilton Hotels	314
Adams-Millis	281
Avnet	280
Sheraton Corp. of America	237
American Bosch Arms	225
Colt Industries	218
Monarch Machine Tool	217
Ward Foods	213
California Computer Products	212
Teledyne	204
VSI	203
Standard Pressed Steel	192
Toledo Scale	178
Ling-Temco-Vought	174
Ametek	172
Tandy	166
Sundstrand	165
Sangamo Electric	162
Conrac	157
Chock Full o' Nuts	157
Helmerich & Payne	157
Missouri-Kansas-Texas	153
Jim Walter	152
Stokely-Van Camp	152

Source: Hardy & Co.

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