

BABSON'S

(Cont. from Page Twelve)

absorbing new entries into the labor market will be difficult.

BUSINESS PROFITS AND DIVIDENDS

Babson's Reports forecasts a gain in after-tax profits approximating 10% over 1971. Were it not for some examples of inequitable disparities between wage boosts over price hikes in the initial rulings of the Wage Board and the Price Commission, we probably would have projected a larger increase—say, somewhat in excess of 15%. While profit margins will be controlled, there is still room for net corporate profits to show progress. This is because a rise in business volume and the benefits of some rather stringent cost-reduction programs enacted over the past two years will permit many corporations to pull down some of the increment in revenues to the profit figure. Also, those companies which had suffered poor earnings in one or two of the past three years can raise prices in order to allow depressed profit margins to assume a healthier status without violating the guidelines.

The ceiling on dividend increases imposed upon corporations which had been disbursing a higher-than-normal rate of cash dividends will, naturally, limit the progress of income for investors. This is another area in which 1972 and its anticipated economic improvement will differ from other years of business rebound. The limitation on dividend increases will not act entirely to the detriment of investors because many corporations will have no alternative but to plow back more earnings into the business. This will augment their liquidity, further shore up working capital, and enhance capabilities for acquisition, expansion and modernization programs.

TAXES

Taxpayers should experience at least a small degree of relief at the Federal level on income taxes during 1972. However, part of this advantage will undoubtedly be negated at the state and municipal levels, where new or higher levies seem unavoidable for taxation of incomes, personal property, and sales on products and services. But it will be nip and tuck even at the Federal level, unless the improvement in business brings a sudden expansion of revenues from taxes, and unless Federal expenditures can be reduced from currently projected lofty rates. The odds are that, in view of election-year considerations, the danger of a Federal income tax boost will be greater in 1973 than in 1972. For corporations, restoration of the investment tax credit will yield some tax advantage at the Federal level. In summary, we expect recently enacted tax relief measures to provide some benefit for both individual and corporate taxpayers.

BOND MARKET OUTLOOK

The decline during 1971 was abrupt for short-term money rates, but more gradual at the longer end of the maturity scale. Inasmuch as the economic profile for 1972 is viewed by the Babson staff as one in which the ascent is likely to be solid but gradual, it is not likely that the demand for money and credit will be voracious. But we look for short-term money rates to remain near current levels initially and then exhibit firm-to-higher moves as 1972 progresses. Longer-term interest rates will reflect continuing heavy capital needs at the Federal, state, and local government levels.

Bond prices, therefore, should show some further firming as 1972 unfolds, but any additional increase is likely to be quite limited. Indeed, possibly after midyear, there will be signs of a tightening in credit supplies. Thereafter, the bond market may anticipate a turn back upward in interest rates. Just how much ground bond prices will give up depends upon the degree of inflationary psychology and the vigor in business capital spending in the second half of 1972. Therefore, while yields on bonds and preferred stocks are considerably lower than at the height of the credit crunch of 1969-70, investors will have a generally favorable climate for making investments in good-quality fixed-income securities.

However, because inflation is likely to persist in 1972, albeit at a restrained pace, those investors who are not obliged to seek the highest current yield possible (safety of principal and income included) may be better off to place some of their funds in convertible securities. As the new year makes its debut, there is still a goodly supply of bonds and preferred stocks which have the conversion privilege and which offer the investor a little better income than common stocks. But this opportunity may not be present for long. As stock prices advance, these convertible securities take on greater value, and as their market prices increase, the percentage yields which are available to investors naturally decrease.

STOCK MARKET OUTLOOK

Babson's Reports is looking for a good year for the stock market in 1972. The ad-

CROSSWORD

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vance began just after Thanksgiving Day 1971 should be extended in the year ahead, although correction phases are to be expected. Barring some unforeseen major development, such as a radical degeneration of international conditions, the Dow Jones Industrial Average can mount yet another challenge to the previous all-time high near the 1,000 mark. Indeed, chances are that the previous top can be pierced as the stock market marches toward its high for the year, with the peak coming sometime in either the latter part of the summer or the fore-portion of the fall season.

Right now, the bargain counter is still laden with attractive buys in common stocks of all varieties. One can find an array of good-quality growth stocks, rebound situations for capital appreciation, and speculative situations at varying prices. Naturally, as previously mentioned, with the favorable prospects for building, stocks of companies which stand to benefit from the home building boom are among the attractive buys for 1972. Nor should investors overlook the companies which stand to benefit from the investment tax credit. These include manufacturers and purchasers of trucks and truck transportation equipment. The farm equipment companies can also benefit from this "tax break", and considering the excellent farm year of 1971, demand for agricultural equipment should be turning upward after a long downturn. Other groups of stocks which should reflect better sales and profits in 1972 include chemicals, containers, pollution and waste control, and those which have participation in the medical equipment lines. Remember also that the role of consumer spending looms important over the coming year. Therefore, many retail, food, and apparel stocks represent good candidates for capital appreciation.

To Replace Old Pumper

Rosman Chamber Of Commerce Donates \$500 For New Fire Truck

The Rosman Chamber of Commerce met at a called meeting December 17th and donated \$500 to put the Rosman Volunteer Fire Department over the top in a long-standing goal of purchasing a new fire truck chassis to replace the present 22-year old equipment.

The Chamber's gift added to a contribution by the American Thread Company's Sylvan Plant at Rosman, some \$3,000 raised by the Rosman Fire Department Ladies Auxiliary, and money raised through auctions by the volunteer firemen themselves. The total paid for a new Chevrolet chassis which is valued at approximately \$8,000.

Remaining to be raised is nearly \$2,000 which will be required to take the tank and pumper equipment off the present 1949 model truck and put it on the new vehicle. This is expected to be raised in a continuing drive of bake sales, auctions and by contributions from upper county residents.

Said Donald Lee Butler, Rosman Volunteer Fire Chief, "We are very grateful for the Chamber of Commerce's special interest and generosity in this very worthwhile community project.

"We are still trying for the state 9 AA Rural District rating," continues Fire Chief Butler. "The new truck will be our number one pumper and will help a lot toward qualifying for the rating. There is still a lot to do, but with this kind of cooperation, we're sure to make it."

When the state rating is achieved, it will be a big help to Rosman area residents by sharply reducing fire insurance premiums, according to Butler.

A very active volunteer fire department, the Rosman unit is presently conducting a fire training class that will last 14 weeks of 3-hour meetings once a week.

"These are fine, enthusiastic men who are learning rapidly," says Capt. Gordon Byrd of Brevard, Senior Training Officer of the Brevard Volunteer Fire Department, who is conducting the Rosman training.

Deputy Chief of the Rosman Fire Department is Charles Moore.

Robert T. Powell is president of the Rosman Chamber of Commerce, Chester Kilpatrick is secretary, and Harry Morgan is treasurer.



OLD ROSMAN FIRE TRUCK—The 1949 model truck shown here is to be replaced by a new chassis recently purchased by the Rosman Volunteer Fire Department. The tank and pumper on this vehicle will be removed and put on the new

chassis. The end of a long-standing goal, purchase of the new fire truck chassis will help toward a state rating for the Rosman unit and a decrease in fire insurance premiums in the Rosman community. (Times Staff Photo)

LETTERS TO THE EDITOR

December 22, 1971
Mr. John I. Anderson
Editor, The Transylvania Times
Brevard, N. C. 28712

Dear Mr. Anderson:
Please allow me this opportunity to express my thanks and appreciation for your excellent cooperation with my office during the past year.

I especially want to thank you for the very good coverage of my installation ceremony on Nov. 23 and also the story of our Christmas decorations.
If possible for you to do so, I will be

grateful to you if you can include in your next issue of The Times a note of appreciation to the customers of this office expressing my thanks for their fine cooperation during the heavy mailing season we have just experienced.

Let me also take this opportunity to wish for you and yours a very merry Christmas and a happy and prosperous New Year.

Sincerely,
H. E. Hicks
Postmaster
Pisgah Forest, N. C. 28768
United States Post Office

SHARING TIME AGAIN

December 31 is the time when all Brevard Savers will again share another whopping cash dividend. Our savers share dividends every three months Their savings are safe, insured and readily available. Best of all, their savings earn at the highest rates allowed by law. Save today for your share. You have 4 of the best plans offered anywhere. With savings certificates that pay up to

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Minimum \$10,000

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"Save locally and your money stays at home building a stronger community."

Brevard Federal Savings & Loan Association

130 S. Caldwell St. Brevard, N. C. Phone 863-8242

NEW YEAR'S EVE DANCE
FRIDAY, DEC. 31
9 P. M. 'Til 1 A. M.
At The
AMERICAN LEGION BUILDING
In Brevard

★

\$5.00 PER COUPLE **Music By**
The Rhythm Kings
— Sponsored By —
Monroe Wilson Post #88, American Legion

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