



TABELL'S MARKET LETTER

35 WALL STREET, NEW YORK 5, N. Y.
Digby 4-4141

As we approach the end of the first quarter of 1949, I become more and more convinced that my December 15th opinion, namely, that the lows for 1949 would be reached in the first three months of the year, will prove to be correct. Furthermore, I feel that the odds favor the probability that the lows for the year were reached on February 25th at 170.56 in the Dow-Jones industrial average and 46.04 on the rails. The industrial average has held above the November 30th low of 170.35 which coincides with my December opinion that the low of 1949 in the industrial average would not be much, if any, lower than the November low. My thought the rails would not sell much below 50 proved to be inaccurate. The rail average sold almost four points lower.

What is the outlook from here on? Taking the industrial average first, I believe we are in a minor uptrend that should carry to at least the 178-180 level where some temporary resistance should be encountered. After a correction to 176-174 and a broadening of the potential base pattern, I would expect a testing of the 182-182½ resistance. Ability to penetrate that level would be extremely constructive and indicate an intermediate uptrend to 195-200. All this could occur during, roughly, the second quarter of 1949.

But ~~As for the rails, although they appear to have reached their lows,~~ the intermediate upside progress may be a bit more labored than that of the other groups. The rails appear quite oversold and any nearterm advance could be quite dynamic as there is little upside resistance between the present level of approximately 49 and the next congestion area between 52-54. However, there is strong upside resistance in that area and even if it is penetrated there is another upside resistance level at 58-60. The pattern on individual rail stocks is quite diverse. While I formerly favored the western and transcontinental roads, the technical patterns now suggest that some of the eastern, southern and southwestern roads have better intermediate term appreciation possibilities.

The utility average possibly has the most constructive technical pattern. The average is now around 35. Ability to reach 36½ would confirm the bullish potential formation and suggest an intermediate objective of 42.

It might be interesting to tabulate the possible percentage appreciation, from present levels to the highest intermediate term upside potential, of the three averages:

	Now	1947-48 High	Upside Potential	Possible % Rise
Industrials	176	193	200	13 1/2%
Rails	49	65	60	22 1/2%
Utilities	35	37 1/2	42	20%

While this comparison favors the rails, it is not certain that the rail average will be able to penetrate the 52-54 upside resistance. In that event, the rise would be equal to only 10%, based on a potential high of 54.

These potential objectives are only for the intermediate term. Furthermore, individual stock patterns are quite diverse and selection will continue to be of prime importance. Suggest my recommended list of March 4th for individual issues that appear to offer better than average appreciation possibilities over the intermediate term.

EDMUND W. TABELL

WALSTON, HOFFMAN & GOODWIN

March 11, 1949