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TABELL'S MARKET LETTER

The market continues to hold in a narrow trading range. For the fourteen trading days from February 2nd to February 18th, the industrial average held in a range between 257.06 and 250.66. Since that time, a matter of nine trading days, it has held between 254.47 and 248.78. The rails have had a similar pattern with the exception that they reacted below last week's low of 85.58 to reach a new low at 84.12 while the industrial average held above its comparable low. Also the decline from the 90.82 high in the rails has been much greater percentagewise. All of this action has been accompanied by slowly decreasing volume. Today's volume of 1,560,000 shares was a new low for several months.

A breakout of the 257-249 trading area could occur shortly but would not expect it to carry very far in either direction. The technical pattern suggests that an upside breakout might carry to 260-262 and a downside breakout would meet support at 240-236. My work favors the possibility of a downside breakout.

I have continually stressed the diverse patterns of individual groups and issues. While many stocks have advanced sharply and have reached their upside objectives and appear vulnerable, there are other situations that have had little price advance and still appear to be building potential base patterns. While these groups may not move immediately, they should be in a much better defensive position in the event of a general market decline.

One such group is the motion pictures. This group has done little marketwise for five years. Recently, the fear of television competition has held this group near its five-year lows and substantially below the 1946 highs as illustrated below:

	Recent Price	1946 High
Columbia Pictures	14	36 3/4
Loew's	18	41
Twentieth-Century Fox	23	63 7/8
Universal	11	49 7/8
Warner Bros.	12	28

The picture does not appear as black as current prices indicate. Undoubtedly, television will hurt the motion picture industry but most likely not as badly as the investing public believes. For example, all moving picture companies own extensive libraries of old films that are amortized to $1. The re-issue of these films to television could be extremely profitable.

For example, Zenith Radio's commercial test of Phonevision in Chicago recently indicated that if the results there could be approached on a national scale by the ten million TV sets now in use throughout the country, these film inventories, now written down to nothing, could be worth millions of dollars.

In addition, most companies have improved their financial position over the past few years. Columbia, as of June 30, 1950, had net current assets per share, after all prior obligations, of $26.60 as against its present price of around 14. Twentieth Century-Fox, as of the 1949 year-end, had a net current asset of $14.15 a share.

Also, most companies have very favorable EPT bases because of large earnings in the 1946-1949 period. Twentieth Century-Fox earned an average of $5.68 for the best three of the four years. Columbia Pictures showed a comparable figure of $3.66. The technical formations of the group are potentially favorable. Long base patterns have been built up and while they have not been penetrated upside, the ultimate objectives indicate the possibility of substantially higher levels. Three issues are on my recommended list. Twentieth Century-Fox (23) is paying a $2 annual dividend to yield over 8%. The other two, Columbia Pictures (13 3/8) and Universal (11 3/8), are more speculative but have good appreciation possibilities.

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Closing Averages

Dow-Jones Industrials	253.61
Dow-Jones Rails	86.26