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## TABELL'S MARKET LETTER

After reaching new lows of 223.07 and 65.67, both averages rallied later in the week to recover a portion of the decline from the year's highs of 232.75 in the industrials and 71.31 in the rails. The fact that both averages penetrated on the downside of the recent trading ranges indicates that the intermediate trend is down. As yet, neither average has retraced even a third of the advance from the July lows. The rally in the rails has been particularly disappointing. A one-third retracement would be 220.39 and 64.43, one-half would be 214.08 and 61.00 and two-thirds would be 207.83 and 57.55. I would be inclined to favor a half to two-thirds retracement.

The breadth-of-the-market studies continue their deteriorating pattern. Regardless of new highs in the averages during September and October, the number of advances in individual issues has been decreasing while the number of declines has been growing larger. This is also true of upside and downside volume.

The industrial average has broken below the intermediate term 28-day moving average line thus indicating a downtrend of at least intermediate proportions. The present average is still above the longer term 200-day moving average.

There is no change in the unfavorable implications of my technical work for the nearer term. Continue to advise partial liquidity in investment accounts and no new purchases. Possible strength in the next few days should be used to further lighten accounts if not already done so, in accordance with the advice of this letter for the past few weeks.

However, if the averages should reach 215-210 and 61-58, I would consider the market in a buying range. News events could cause a sharp sudden break so I am listing below recommended purchases in the event that the market reaches the levels mentioned above. These purchases should be made on weakness on a late tape -- in other words, when the market looks its worst. This requires courage, but such shakeouts offer the best buying opportunities as witness our buy advice in July in the 200-195 area and in June 1949 in 170-160 area.

### BETTER GRADE

Allied Chemical, American Can, American Cyanamid, Amer. Potash B, Bethlehem Steel, Buffalo Forge, Chain Belt, Chicago Pneu.Tool, Columbian Carbon, Continental Can, Deere & Co., Distillers-Seagram, Eastman Kodak, Food Machinery, Gulf Oil, Hercules Powder, Interchemical Corp., International Harvester, Kennecott Copper, Link Belt, Mathieson Chem., May Dept. Stores, Mont. Ward, National Distillers, National Lead, Otis Elevator, Phelps Dodge, Pittsburgh Plate Glass, Schenley Ind., Sperry Corp., Square D, Standard Oil of Calif., Union Pacific, United Carbon, United Engineering, Western Auto Supply, Wrigley.

### MEDIJM GRADE

American Colortype, Associated Dry Goods, Burlington Mills, Carrier Corp., Celanese Corp., Colorado Fuel & Iron, Combustion Eng. Super, Davison Chem., Fruehauf Trailer, General Precision Equip., General Tire, Intertype Corp., Jones & Laughlin, Lambert Co., Lerner Stores, Lowenstein, McGraw Hill, National Supply, Pacific Mills, Pfizer (Chas.), Plymouth Oil, Rheem Mfg., Tennessee Corp., Twentieth-Century-Fox, Victor Chem., Worthington Pump.

### SPECULATIVE

Amer. Airlines, Austin Nichols, Balt. & Ohio, pfd., Balt. & Ohio, Braniff Air., Bush Terminal, Capital Airlines, Chic. Mil. & St. Paul, pfd., Copperweld Steel, Dayton Rubber, Denver & R.G. & W., Eastern Airlines, Elastic Stop Nut, Fansteel Metal, Goodall-Sanford, Gray Mfg., Ill. Central, Int. Tel. & Tel., Northwest Air., Pitts. Coke & Chem., Pitts. Consol. Coal, Radio Keith, Raytheon, Reynolds Metals, Robbins Mills, St. Louis-San Fran., Shamrock Oil, Spiegel Inc., Texas Gulf Prod., United Air., Western Air., Western Maryland, Wyandotte Worsted.

### Closing Averages

Dow-Jones Ind. - 228.10  
Dow-Jones Rails 66.67

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