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TABELL'S MARKET LETTER

It is undoubtedly true that one does not buy or sell the averages and that rather trite observation is particularly true today. Since June, 1949, I have been stressing the fact that the market leaders would be the better grade dividend paying issues and special situations and that the more speculative groups would do little marketwise. This has been true up to recently. However, the pattern now appears to be undergoing some change. The signs of distributional patterns are more evident in the better grade issues. The more speculative issues, in most cases, show relatively little distribution. This leads to the possibility that a decline to 210-200 in the industrial average might have only a minor effect on a great many issues.

The graphs of the various averages continue to give the impression that the market has been in a distributive phase since early October. The many sharp moves up and down in a short period of time are one of the accompaniments of a distributional top. Just how long such a phase will last is problematical. The 1946 top was six months in forming. Some of the less important tops such as 1947 and 1948 were formed in two or three months. Present indications are that this top will be more in the nature of the latter formations. The industrial average will most likely be unable to penetrate the 233-235 level. However, there is always the possibility of a sharp climactic upswing into new high territory. In such an event would further lighten accounts. Recent advice has been 25% liquidity in investment accounts and 60% in intermediate term trading accounts.

Listed below are the relative strength measurements of various groups. Unless there is decided switch in the trend of news developments, it would be expected that these groups will continue to remain in their present classification. However, it must be realized that some of the favorable groups have already advanced very sharply and may have discounted their relatively favorable position in the economic pattern. Conversely, some of the unfavorable groups may have almost discounted bad news. General Motors, which we sold at 54, is nearing its downside objective at Friday's low of 43 3/8.

FAVORABLE

Agricultural Machinery, Aircraft Mfgs., Air Transport, Cotton Goods, Dept. Stores, Distilling, Machinery, Mail Order, Meat Packing, Mining & Smelting, Office Equipment, Rail Equipment, Rails, Rayon, Variety Chains, Woolens.

NEUTRAL

Baking, Cement, Chemicals, Coal, Containers-Glass, Containers-Paper, Copper, Electrical Equip., Fertilizers, Foods, Investment Companies, Leather, Motion Pictures, Paper, Petroleum, Retail Food, Rubber & Tires, Shipping, Shoes, Soft Drinks, Steels, Sugar, Utilities, Utilities-Communications.

UNFAVORABLE

Automobile, Auto Parts & Acces., Auto Trucks, Building Supplies, Containers-Metal, Drugs, Finance Cos., Gold, Household Appliances, Natural Gas, Radio & Television, Tobacco.

On checking the position of the issues in our recommended list, I find that sales have been advised on 40 issues during 1950. The average recommended price was 36 and the average sales price was 50 or a profit of 39½%. If one had purchased the Dow-Jones 65-Stock average at the year's low and sold at the year's high, the extreme gain would have been 20%. The issues still remaining in our list show an average purchase price of about 26 and a present price around 29 or a gain of a little over 11%.

EDMUND W. TABELL
WALSTON, HOFFMAN & GOODWIN

December 15, 1950

Closing Averages

Dow-Jones Industrials - 224.70

Dow-Jones Rails - 73.38

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