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TABELL'S MARKET LETTER

This week's market featured the lower priced speculative issues that until now have been relatively dormant all during the broad advance that started in June, 1949. The higher grade issues, which had previously paced the advance, moved only moderately higher during the week. The Dow-Jones Industrial average, composed largely of quality issues, was unable to reach new high territory despite the sharp percentage advances and increased activity of the general market.

A great many of the better grade issues have technical formations similar to that of the industrial average which, after an advance of forty points in less than six months, has held in a broad trading range between 236 and 220 since October. If this later proves to be a distributive top, the downside possibility is around the 200 level or lower. If it proves to be a re-accumulation area, the potential is 240-250.

The question at the moment, is whether recent strength in speculative issues means that a new phase of the advance has started and that the better grade equities will also join the advance into new high territory or whether the sharp run-ups in the more speculative issues is the last phase of the advance from the 1949 low of 160. The picture is far from clear but various technical factors lead me to favor the probability that we are in the process of forming a distributional top and extreme caution should be used until the pattern clarifies. The market may continue strong for some further time. It took almost six months to form the tops in 1946. Continue to recommend taking profits on strength and a partially liquid position.

Suggest taking profits in the following issues in our recommended list. The figure in parenthesis is the originally recommended price level and the other figure is Friday's close.

American Woolen (33) $43\frac{1}{4}$, Bullard (20) $29\frac{3}{8}$, Chicago, Indianapolis & Louisville A (10) $16\frac{3}{8}$, Gulf, Mobile & Ohio (14 $5/8$) $23\frac{3}{4}$, St. Louis-San Francisco (12) $23\frac{3}{8}$, Southern Pacific (52) $66\frac{1}{2}$, Southern Railway (36) $50\frac{5}{8}$, Western Pacific (35) $52\frac{7}{8}$.

For new purchases would buy only issues that have reacted or have not yet participated in the advance. Some of these issues, listed below, have been subject to year-end tax loss selling and could rebound when such pressure is released. All appear to have support not far below present levels.

BETTER GRADE

American News (33), C.I.T. Financial (43), Commercial Credit (45), Endicott-Johnson (30), Kresge S.S. (37) McCrory Stores (31), Mercantile Stores (17), Otis Elevator (33), Western Auto Supply (39),

MEDIUM GRADE

Associated Dry Goods (19), Avco, Pfd. (44), Elliott Co. (23), Hewitt-Robins (19), Lambert (23), Lerner Stores (23), National Department Stores (20), National Supply (21), Penn Dixie Cement (22), Public Service Elec. & Gas (21), Shamrock Oil (31).

SPECULATIVE GRADE

American Export (19), Central Foundry (8), Eversharp (13), Gray Manufacturing (11), Northwest Airlines (13), Speigel (12) United Stores 2nd. (9),

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Closing Averages

Dow-Jones Industrials 231.53
Dow-Jones Rails 76.84