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TABELL'S MARKET LETTER



The Dow-Jones industrial average decisively penetrated the long 236-220 range in which it had held for over three months to reach a high of 242.60 on Friday. The rails hit a high of 80.00.

As noted in my letter of two weeks ago, an upside penetration of this area indicates an advance into the 240-250 range which was my maximum upside objective for 1950.

At Friday's close both the short term and intermediate term indicators were in overbought territory. This is to be expected after an advance of twenty points in the industrial average in the past sixteen trading days.

At the moment, the public is eager to buy stocks at the highest level in twenty years. The fact that earnings and dividends for many companies most likely reached a peak in 1950 because of taxes, is ignored by the security buyer. His reasoning is that we now have a 50¢ dollar that will be worth less in purchasing power as the defense program expands. This reasoning is good but may be premature by a year or two. Because of the defense program, the government will do everything in its power to hold down the inflationary potential and thus keep down the cost of defense. We have actually had a 50¢ dollar for the last few years during which time the averages sold as low as 160. It now seems hardly the time to initiate new purchases. Would rather buy when there is less competition on the buying side as during the various times this letter strongly recommended the purchase of stocks in the 160-170 range and again at 195-200 last July.

With the public in a strong buying mood, the market could undoubtedly work somewhat higher over the near term. However, the risks of loss in a heavily invested position at this stage seem to outweigh the possibility of further wide appreciation. Would continue to exercise caution and have a large portion of trading funds liquid to await bargain levels. I believe the present market is much nearer the top of the 1951 range than the bottom.

This letter has recently been advising the sale of individual securities in our recommended list that were purchased considerably below present levels. Some further profit taking is suggested below. The figure in parenthesis is the originally recommended level and the last figure is Friday's close.

BETTER GRADE ISSUES

American Home Products (25)	31 3/4
Standard Oil of Indiana (48)	62 5/8
Union Pacific (87)	106 1/2

MEDIUM GRADE ISSUES

Burlington Mills (21)	31 7/8
Chicago Pneumatic Tool (28)	42 7/8
Chicago, Rock Island (28)	52 7/8
Distillers-Seagram (15)	28 3/4
International Minerals (17)	27 3/4

SPECULATIVE ISSUES

Bohn Aluminum (25)	36 1/2
Budd Mfg. (9)	16 3/4

EDMUND W. TABELL
WALSTON, HOFFMAN & GOODWIN

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Closing Averages

Dow-Jones Industrials	240.98
Dow-Jones Rails	79.12