Walston, Hoffman & Goodwin

Investment Securities

NEW YORK 5, N. Y. 35 Wall Street DIGBY 4-4141 | PHILADELPHIA 2, PA. 1420 Walnut Street PENNYPACKER 5-5977 | LOS ANGELES 13, CALIF 550 South Spring Street MADISON 9-3232 | SAN FRANCISCO 4, CALIF. 265 Montgomery Street SUTTER 1-2700

TABELL'S MARKET LETTER

During the past week, the month-old trading range of between roughly 257 and 249 on the Dow Jones industrials has been decisivly penetrated on the downside. A low of 242.06 was reached on Thursday. The rail average, which has been in a definite downtrend since the 90.82 high of early February, declined to a new low at 80.12. Volume increased as the market weakened. A sharp rally on Friday brought the averages back to 249.33 and 82.94 .

The downside breakout places the market in an extremely defensive position as far as the major trend is concerned. The distributional tops formed on both the various averages and on individual issues are relatively minor. They indicate, at the moment, no more than a decline to 240-236 in terms of the Dow Jones industrials. A rally from Thursdays low of 242.06 or from a subsequent low in the 240-236 area, is the normal technical expectation at the moment. This rally will meet heavy upside resistance first at 248-249 and then all the way up to the February high of 257.06. If, after a month or so, the advance fails to carry above the February highs and subsequently falls below the low reached on the present decline, a major downtrend is indicated. The ultimate downside objective of such a possible pattern is not evident at the moment. It depends on how much of a distributional pattern is formed between 257.06 and whatever low is reached on the present declining phase, if such is to be the pattern.

This letter has been suggesting caution since late 1950. It has advised a gradual lightening of positions as each individual issue on our recommended list has reached its individual upside objective. As these issues were originally recommended at considerably lower levels (in early 1949 in the 160-180 area and again in July 1950 in the 195-205 area) this policy has resulted in substantial long term profits. Of course some of these issues have moved moderately higher but this letter does not concern itself with the minor trend.

I continue to advise a 60% liquid position in accounts where primary consideration is long term capital gains. It is my opinion that the market is in a consolidating phase that may last from six months to a year. The outer limits of this consolidating phase are not clear at the moment but the present pattern suggests something like 260 to 200 - admittedly a wide area. During this phase, individual issues will offer excellent buying opportunities. After the consolidating phase is completed, much higher prices are indicated.

At the moment, the 40% of total funds invested should be concentrated in groups with not only favorable long term implications but also good defensive qualities. Such groups include Airlines, Building Supplies, Department Stores, Finance Companies, Motion Pictures, Natural Gas, Office Equipment, Printing and Publishing, Tobacco, Soft Drinks, Utilities and Variety Chains.

EDMUND W. TABELL
WALSTON, HOFFMAN & GOODWIN

March 16, 1951

Closing Averages

Dow-Jones Industrials	248.62
Dow-Jones Rails	82.69