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TABELL'S MARKET LETTER

The market has rallied from last week's lows of 242.06 on the industrials, and 80.12 on the rails to reach intra-day highs of 251.57 and 82.48 on Thursday. The averages are now entering the heavy overhead resistance at 250-257 and 84-86. Volume on the advance has been moderate.

Still advise caution in accounts concerned mainly with longer term capital appreciation. Would employ only 40% of available funds and would concentrate such holdings in groups with good defensive qualities. The following groups have good technical patterns.

The AIRLINES were my favorite group for price appreciation in 1950, and I still continue to believe they will work higher despite their recent rise. Strong base patterns were built up in the 1947-1950 period, and they have had only half of their potential advance. As an example, Eastern airlines has rallied 10 points from 14 to 24. The pattern suggests an ultimate 34, or a possible further 10 point appreciation. Some consolidation may be required, but the group appears attractive on all minor price declines.

I like the BUILDING SUPPLY group. Issues in this group are forming a very strong base pattern. They may not do too much marketwise over the near term, but eventually they indicate substantially higher levels. They could be one of the market leaders of the 1952-1957 rise.

The DRUG group is selling considerably below the 1946 highs and is much less vulnerable than many other groups. It may be in a long term accumulation area. It is a good defensive group with longer term possibilities.

FINANCE COMPANIES have reacted quite sharply since Korea, but at recent lows, they were at strong support levels. Regardless of popular opinion, this group appears reasonably priced and should be bought on price dips. It might be of interest to observe the price pattern of this group in the war period of 1942 to 1945. During this period, the finance group advanced over 100%, and greatly outperformed such war groups as aircrafts, metals and steels.

The MACHINERY group is composed of many different types of companies so it is difficult to predict a general pattern. There are a great many individual issues in this group that have attractive technical patterns, so I am classifying the group as one that should be bought on minor price declines.

The NATURAL GAS group reacted quite sharply after Korea, but at the July lows were at strong support levels. I believe this group is forming a reaccumulation area. The action may be slow, but purchases should be made on weakness. This should be a relatively stable group.

If I.B.M. is eliminated from the OFFICE EQUIPMENT group, the rest of the issues have done little marketwise for a long period. Substantial base patterns have been formed, and the group occupies a good defensive position. I would suggest buying on declines in anticipation of above average and long term price appreciation.

PRINTING AND PUBLISHING stocks have been backward, but they have formed fairly good base patterns. The group appears attractive on declines. The issues are not vulnerable and offer moderate appreciation possibilities over the longer term.

The RETAIL TRADE group has built up good base patterns and the upside objectives have not yet been reached. I would buy on all minor price dips.

THEATRE AND MOTION PICTURE stocks have held in a narrow range near the lows for over three years. The long term upside potentials are very large percentagewise and the group appears oversold. A very interesting appreciation opportunity is possible for the longer term.

TOBACCO issues are selling close to five year lows and appear to be in a good defensive position. Appreciation possibilities, however, are limited.

The UTILITY group has done little marketwise since the Korean break. In contrast with new highs in industrials and rails, the utility average is slightly below its 1946 and 1950 highs. Moderate base patterns have formed and the group possesses appreciation possibilities plus defensive qualities and good yields.

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