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## TABELL'S MARKET LETTER

The market sold off sharply in the last hour of Friday's trading and the Dow-Jones industrial average declined \$3.83 to reach an intra-day low of 269.23. Further weakness would result in a downside penetration of the 277.51 to 269.04 trading shelf in which the industrials have held for 35 trading days. The rail average penetrated the downside of the shorter twenty-day trading range between 87.80 and 84.40 to reach a low of 83.63.

A downside penetration by the industrials would have considerable technical significance when coupled with generally deteriorating long term technical pattern that I have been mentioning recently in this letter. It would, in my opinion, indicate the end of the approximately thirty-seven point advance from the June low of 240.72 in the industrials. The fact that the rails failed to reach the February high of 90.82 on this rally, despite the fact that the industrial average advanced more than twenty points above the February high, lends credence to the thought that the market may have reached at least an intermediate term top.

As mentioned in recent letters, the market has appeared stronger than it actually was. Strength in a relatively few issues caused the averages to advance while wild gyrations in a few speculative issues concealed the fact that the majority of stocks were making little upside progress. A study of forty-one graphs of individual groups showed that twenty had reached their highs prior to July 1st despite the fact that the averages reached new high territory. The internal action of the market as shown by the number of advances and declines, new highs and lows and advancing and declining volume, and other factors, has been confirming this divergence of action that occurs at all important tops in the market.

Such a decline, if it occurs, would meet initial support at about 265, but would most likely show an ultimate dip to the 260-255 area. That would be all I would expect on the first phase of the decline. If a full intermediate correction is in the offing, the market would have to rally from the 260-255 area to further broaden the tops in chemicals, oils and other recent leaders that have only relatively minor tops at the moment.

For intermediate term trading accounts interested in long term capital gains of six months or longer, my advice continues the same as that mentioned in recent letters. The outlook for the next six months is uncertain. Would confine commitments to better quality secondary issues with favorable long term patterns. I would use only 25% of available funds for issues of this type and keep 75% of funds liquid as a buying reserve.

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EDMUND W. TABELL  
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### Closing Averages

Dow-Jones Industrials - 269.68  
Dow-Jones Rails - 83.79