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TABELL'S MARKET LETTER

The market, at Monday's low of 259.46, on the Dow-Jones industrials, reached the downside objective of 260-255 outlined by the 277-270 distributional top. The sharp eighteen point decline placed the market in an oversold condition. My short term technical indicator gave a buy signal on Tuesday. The market reached a high of 266.79 on Wednesday. I would not expect the advance to carry beyond the 268-270 area at this stage. There is overhead supply in the 270-277 area that will halt any immediate rise.

Before the market moves very far in either direction, a new pattern must be formed. The downside objective of 277-270 top has been approximately reached and there is no other indication of importance at the moment. I believe the market for the next few weeks may hold in a trading area between roughly 270 and 255. After the pattern is completed, some clew will be given as to the direction of the next move.

The longer term pattern is also uncertain. Since January, the market has held in the comparatively narrow (13%) trading range between 240.72 and 277.51. Recently, the internal action of the market has been poor. Unless this action improves, the possibility that the entire 277-240 area is a distributional top must be taken into consideration. If such proves to be the case, a further substantial decline could occur. The downside implications of such a pattern are not certain because the pattern is not yet complete. At the moment, there is a potential of 230-225, but this would be changed if the pattern broadens by further backing and filling in the broad trading area.

It is not certain that this is the pattern. I mention it only as a possibility. However, if the market over the next few weeks fails to penetrate the 277.51 high of September and then breaks below whatever low is made on the current reaction (259.46 so far), a downward trend would be signalled.

Because of this uncertain pattern, I continue to advise the investment policy advocated by this letter in recent weeks. For accounts interested in capital appreciation of six months or longer, I recommend that 75% of funds be held liquid as a buying reserve. The remaining 25% should be invested in secondary stocks with good long term technical patterns. I reprint below issues of this type that were mentioned in recent letters:

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| • American News | • Hall Printing |
| • Blaw Knox | • Hazel Atlas Glass |
| • Bliss, E.W. | • Hewitt-Robins |
| • Bucyrus Erie | • Lerner Stores |
| • Burroughs | • Marshall Field |
| • Carrier | • McGraw Electric |
| • Certain-Teed | • National Supply |
| • City Stores | • New York Air Brake |
| • Columbia Broadcasting | • Otis Elevator |
| • Columbia Pictures | • Poor & Co. PHILCO |
| • Cuneo Press | • Smith, A.O. |
| • Elliott Company | • Standard Steel Spring |
| • Fruehauf Trailer | • Twentieth Century-Fox |
| • Gray Manufacturing | • Western Auto Supply |

October 26, 1951

Dow-Jones Industrials - 262.27
Dow-Jones Rails - 80.83

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