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TABELL'S MARKET LETTER

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The market moved in a fairly narrow range over the past week. Declining tendencies were in force during the early part of the week and the Dow-Jones industrials reacted to a low of 272.28. At the low, the average had reacted $9.19 points from the early August high of 281.47 or a retracement of approximately one-third of the 26.77 point advance from the May low of 254.70. This is the normal minimum technical correction of an advance. The rails, at last week's low of 100.94, had lost 4.64 points from the August ~~high of 105.55. This is~~ only about a 20% retracement of the 23.04 point advance from the February low of 82.51. The market rallied in the latter part of the week and reached a high of 275.93 in the industrials and 103.49 in the rail average. Another attempt may have started to reach the 285-295 area in the industrials and 105-110 in the rails. It would appear that volume must increase before these objectives are achieved. On the downside, the 274-273 level and 102-101 are the important points to watch.

LONG TERM INVESTMENT: I continue to advise a 100% invested position in accounts concerned mainly with income and longer term appreciation regardless of intermediate term fluctuations. However, at this stage of the market pattern, would concentrate holdings in undervalued issues with defensive characteristics. AMERICAN TELEPHONE (155½) is an excellent vehicle of this type. The stock will be ex-dividend the $2.25 payment on September 10.

CAPITAL APPRECIATION: In risk accounts concerned mainly with capital appreciation over a six months period, I continue to advise a 50% to 75% liquid position. While the market may move somewhat higher over the nearer term, it would appear that lower levels will be reached before the expiration of the six months long term gain tax period. Therefore, it appears prudent to have a cash reserve in capital appreciation accounts to take advantage of possible buying opportunities.

Like the industrials, the rails have had selective action despite the fact that they have been in a steady uptrend from the June 1951 low of 71.78 to the August high of 105.55. The diverse action of the group is shown in the two tables below:

	Price	1951 High	1951-52 Low	1952 High
Atchison	92	88	69	92
Atl.Coast	109	82	64	118
Chic.R.I.	68	61	44	69
Denver R.G.	77	69	49	82
Gt.No.,pfd.	54	57	46	56
Ill.Cent.	73	75	52	76
Kan.City S.	81	75	57	84
Leghigh V.	18	15	9	20
Seaboard	103	68	47	103
Texas Pac.	105	103	77	108

	Price	1951 High	1951-52 Low	1952 High
Balt.& O.	22	24	16	24
Chic.E.Ill.	19	25	14	20
Chic.Gt.W.	23	33	18	23
Chic.Mil.SP	21	30	18	24
Chic.No.W.	17	28	15	20
Minn.St.P	17	21	14	19
N.Y.Central	19	26	16	21
N.Y.Chic.SL	43	47	35	45
Penn. R.R.	19	26	17	20
West.Mary'd	21	29	18	24

The stocks in the first column are mainly better grade rails. They reached their 1951 highs in February 1951 when the rail average topped out at 90.82. After a subsequent reaction to the 1951 low, this group led the rail average to recent highs. In most cases, the recent highs are considerably above the 1951 highs. The more speculative issues in the second column have not fared as well. In most cases they are selling well below the February, 1951 highs despite the fact that the rail average is 16% above 1951 high.

These secondary rails may be behind the market, and, in the event of further rail strength, may show better percentage appreciation than the higher grade issues. With this thought in mind, I have included in my recommended capital appreciation list two secondary rails. They are Minneapolis, St.Paul & S.S.Marie (Soo Line) and Western Maryland. To these two may be added Chicago Eastern Illinois and also Chicago,Great Western. Chicago,Eastern Illinois will benefit from increased coal shipments to steam generating plants for power for atomic energy plants at Paducah, Ky. The other rail, Chicago,Great West. is completing an extensive modernization program and earning power should improve sharply. Both issues have excellent technical patterns.

A switch out of New York Central and Pennsylvania into these four issues should work out profitably over the longer term because of their better growth possibilities and technical patterns.

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