

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. SAN FRANCISCO 4, CALIF.
550 South Spring Street 265 Montgomery Street
MADISON 9-3232 SUTTER 1-2700



TABELL'S MARKET LETTER

The Dow-Jones industrials continued the downtrend to reach a new low for the move at 262.60, but the rails held above the September low of 96.87. That is about the only favorable technical factor in evidence. The rails are in a position to shortly furnish an indication of the nearby trend. If the average can rally to 101, it would indicate a probable testing of 105 high. This would probably mean a rally in the industrial average also, but I doubt if it can carry above the heavy overhead supply at 270-272. On the other hand a downside penetration of the rail low of September 12th, 96.87, would indicate a further decline to 92.90 and a testing of the 255 support level in the industrials.

From a technical point of view, the steel stocks have turned in a rather discouraging market performance. In most cases, the stocks in this group reached their highs in February, 1951 or over twenty months ago. Since that time, they have been in a slow downtrend with each successive high below the preceding high. On my technical work, the group still indicates moderately lower levels. The table below presents this picture.

	Present Price	1951 High	Downside Objective
Allegheny Ludlum	32	52	33-28
Armco Steel	36	51	34-32
Bethlehem Steel	47	60	40-38
Granite City Steel	19	31	19-16
Inland Steel	42	62	38-35
Jones & Laughlin	21	31	20
National Steel	44	56	37-33
Republic Steel	38	49	33-30
Sharon Steel	34	50	31
U. S. Steel	38	47	33-30
Vanadium	36	45*	?
Wheeling Steel	34	46	31-25
Youngstown	40	59	40-37

* Reached in 1952

While some of these issues are close to downside objectives, that is only part of the story. After these downside objectives have been reached, a considerable period of time may be needed to form new base or accumulation patterns. For example, U.S. Steel spent almost four years in the 21-29 area in building up the base pattern that indicated the advance to 47. That is why I consider the group relatively unattractive for appreciation.

There are exceptions, of course. Vanadium Corp. has an entirely different pattern than the other issues. Actually, this is a specialty ferro-alloy company. Together with its vanadium mine in Peru, the company owns and leases uranium ore deposits in Utah and Colorado which are being developed. The technical pattern is good and, in speculative accounts concerned mainly with capital appreciation, I would advise switching out of any of the steels in the table above into Vanadium Corporation at present levels. A possible exception to this switching recommendation is Allegheny Ludlum. The stock is in its downside objective range and has, in the past, built up base patterns rather rapidly. Its interest in titanium lends long term speculative appeal.

For long term investment accounts holding steel stocks, I suggest switching into Allis Chalmers, now around 50. The yield is close to 8% and earnings for this farm machinery and electrical equipment stock are holding up well as witness the \$5.99 per share for the nine months ended September 30th as compared with \$5.85 for the same period last year. Technically, the stock has already formed a strong base pattern with indications of higher levels. There is strong downside support at 45.

In summary, for capital appreciation accounts, would switch all other steels into Vanadium Corporation or Allegheny Ludlum. In investment accounts, would switch steels into Allis Chalmers.

EDMUND W. TABELL
WALSTON, HOFFMAN & GOODWIN

October 24, 1952