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TABELL'S MARKET LETTER

July 17, 1953

In my opinion, last week's market action was quite impressive despite the lack of volume. From the July 8th highs of 272.83 in the Dow-Jones industrials and 108.34 in the rails, the averages declined to 266.96 and 103.69. This was a loss of about half of the advance from the June lows. At the week's lows, selling dried up and the market was able to recover a good portion of the losses by the end of the week. The Friday intra-day highs were 271.59 and 106.26. Both the short-term and intermediate-term technical indicators are showing favorable action and I would expect the advance to be resumed next week. Just how far it will continue is problematical. The industrials will run into heavy supply around 280 and it would seem unlikely that the January highs will be bettered by this average. The rails, however, could very easily work into new high territory above the December, 1952 high of 113.94.

The action of individual issues and groups, however, is much more important than that of the averages. Starting with this letter I propose to review, in alphabetical order, the technical outlook for the various groups and some of the individual issues in each group.

AGRICULTURAL IMPLEMENTS. This group reached its high in late 1951 and has been in a slow downtrend ever since. The decline has been quite severe in some instances. J.I. Case has dropped from 39 to a low of 17 and Deere & Co. declined from 36 to a low of 24. International Harvester, the quality issue in the group, dropped from 37 to 27. These issues, at the June lows, were close to their downside objectives and near strong support levels. However, they will need considerable time to form new base patterns and there is heavy supply not too far above the market. The same thing applies to the smaller companies such as Gleaner Harvester, Minneapolis Moline and Oliver Corporation. These issues should be bought only during periods of price weakness by patient holders. Would not follow strength. The one exception is Allis Chalmers. This company is a leading maker of farm machinery, but this division accounts for only 60% of sales. The remainder is in electrical, metallurgical and heavy industrial machinery. Unlike the other companies mentioned above, it reached its high of 59 1/2 early this year rather than in 1951. The stock has declined but, at present levels around 48, the stock is in a strong support level. The other farm issues all reached their long term upside objectives late in 1951 but Allis Chalmers has a pattern that still indicates considerably higher levels. Allis Chalmers pays a \$4 annual dividend which was amply covered by the \$7.98 earned in 1952. The president recently stated that 1953 earnings might be 10% to 15% lower in 1953, but the \$4 dividend would still be well covered in such an event. The yield of 8.3% and the attractive technical pattern suggests that other farm implement issues might well be switched into Allis Chalmers.

AIR CONDITIONING. There are only two issues in this group - Carrier Corporation and York Corporation. Carrier has long been one of my favorites. It was originally recommended in the 12-15 area and later at around 22-25. It had an upside objective of 45 which was reached at the early 1953 high of 45 1/4. Since that time the stock has been resting and has held in the 40-44 area. From a technical viewpoint, ability to break out on the upside of this trading shelf would indicate a further advance to 50-52. A downside breakout to 39 would presumably indicate a decline to the 36-34 support area. It may take some further time for this pattern to clarify.

York Corporation has a slightly different pattern than Carrier. It has been in a slow uptrend from the 1949 low of 8. The early 1953 high was 23. A small top was formed with a downside indication of a possible 18. The June low was around 18 1/2. There is strong support in the 19-17 area. Stock should be bought on dips as the long term indication is for higher levels.

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