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TABELL'S MARKET LETTER

November 20, 1953

The market continues to show excellent technical action. A correction earlier in the week brought the Dow-Jones industrial average down to 273.01, but the market quickly rebounded back to the 277 level. At the week's low, the industrials had not even retraced one-third of the twenty-five point advance from the September lows.

Whether or not the market will retrace the traditional one-third to two-thirds of the preceding advance at this stage is problematical. On my technical work, the intermediate term technical indicator entered overbought territory earlier in the month and gave a sell signal on November 4th. The closing price level on that date was 276.82. This sell signal has not been reversed as yet. A renewed buy signal could be given in two ways. If, between now and late December, the industrials declined to around 265, the technical indicator would be in oversold territory and in a position to give a buy signal. The other alternative would be for the average to hold at around present levels or slightly lower for another week or two. Then if the market rallied, a buy signal would be given because of loss of downside momentum.

In either event, this is of interest to the short term trader rather than the long term investor. The market is, in my opinion, in a long term accumulation area between 295 and 240. Sometime in 1954 it will break out of the area on the upside.

I have urged my readers to concentrate on growth issues when they are available at reasonable levels. I believe electric utilities in growth areas offer a conservative participation in the long term growth of the country. Generating capacity has doubled since the end of World War II, but the nation's electric companies plan to increase the present capacity by another 50% by the end of 1956. Both industrial and residential sales have shown tremendous increases since 1929. The average householder uses four times as much current as in 1929 and, of course, there are more customers. This has resulted in a drop of over 50% in rates since 1929. Utilities were speculative favorites in 1929, but the speculation was in the holding company securities with highly pyramided capital structures. This was changed by the Utility Company Holding Act of 1935 and most of the electric utilities traded today are the direct operating companies.

Latest operating statistics bear out the growth possibilities of the utility industry. For the twelve months ending August 31st, 1953, operating revenues of all utilities in the United States increased 9.8% over the preceding twelve months. The increase in net income of 13.4% was even greater. Utility common stocks do not move rapidly marketwise, but many utilities are demonstrating increases in earnings per share, pointing toward larger dividends and higher share prices.

There are a large number of utility issues that appear attractive from a technical viewpoint.

To mention a few - Commonwealth Edison, Consumers Power, Florida Power, Idaho Power, Ohio Edison, Pacific Gas & Electric, Philadelphia Electric, Public Service of Colorado, Southern California Edison. Listed utility issues yield between 5% and 6%. Some of the unlisted issues of the smaller companies are available on a higher yield basis than listed issues.

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