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TABELL'S MARKET LETTER

February 12, 1954

Both averages have about reached their near term objectives of 295-300 for the Dow-Jones industrials and 103-105 for the rails. The industrials have advanced 40 points from the September lows and the rails have rallied 14 points. Normal technical action and timing would call for a correction at about this stage of the market pattern, despite the fact that the long-term trend still indicates higher levels. However, any correction should be relatively mild and should not result in a retracement of much more than a third of the advance. This would bring the industrials back to the 285-280 level and the rails to 100-98. It is possible that individual issues might even advance against the general trend. I would not advise disturbing investment holdings that still indicate higher levels over the longer term. I would advise using present strength, however, to switch out of situations that have uncertain technical patterns and await a mild correction to replace with more attractive issues.

Several of my recommended issues have advanced quite sharply since their original recommendations, but in the main, the technical patterns are still favorable.

American Telephone has slowly moved ahead but, in my opinion, is still attractively priced at 160 to yield 5.6%. I believe this issue will eventually sell on a 5% yield basis which would mean an advance to the 180 level. I strongly advise this issue for income and moderate appreciation. Babcock & Wilcox at 47 has advanced over ten points plus a 5% stock dividend, but the pattern still remains favorable. The nearer term upside possibility is 52 followed by a longer term 65-70. This issue should be held and bought on minor dips. There is now support at around 45. Cornell Dubilier has advanced from 19 to 27. The longer term indication is 41 so retention is advised. There is support at 24. Glenn L. Martin has advanced from 13 to 19. The intermediate term objective is 25-30 so the stock should be held and bought on minor weakness. Mead Corp. has shown excellent technical action. It has broken out on the upside of the long 22-28 accumulation area to reach a high of 33. The upside objective appears to be 41-43. The 30 level should furnish strong support. National Gypsum has been strong recently and reached a new high at 24. The upside penetration of the 18-23 area indicates, from a technical viewpoint, an initial rise to 26-28. The pattern in this issue is strong and the eventual upside objectives are 32-35 and 42. North American Aviation has reached 24. The upside penetration of the 15-20 area indicates an intermediate objective of 27-31. There is support at 22-20. In my opinion, this stock has possibly the most favorable long term pattern in the aircraft manufacturing group. The company's atomic research work and excellent management are added constructive factors. The long term price objective is considerably above present levels. The stock should be held and bought on weakness. Penn-Dixie Cement has shown the best action in the cement group and has advanced from 31 to 41. Stockholders of record February 26th will have the right-to-subscribe-to additional stock at the rate of one share for each five held. The near term technical objective is 43 and the long term potential is 55-60. Would add to holdings on weakness. Shamrock Oil & Gas has advanced out of the 36-43 area to reach a new high at 45. The intermediate objective is somewhere in the 50-55 area. The stock should be held and bought on minor declines to the 43-42 support level. Yale & Towne has advanced from a September low of 31 to 39 and is now selling around 38. Ability to reach 41 would be very constructive and, from a technical viewpoint, would indicate an initial rise to the 45-50 zone followed by higher levels for the longer term. The stock appears to be a purchase around current levels.

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