

# Walston & Co.

MEMBERS NEW YORK STOCK EXCHANGE AND OTHER LEADING STOCK AND COMMODITY EXCHANGES  
NEW YORK • PHILADELPHIA • LOS ANGELES • SAN FRANCISCO • LUGANO (Switzerland)  
OFFICES COAST TO COAST CONNECTED BY DIRECT PRIVATE WIRE SYSTEM

## TABELL'S MARKET LETTER

September 3, 1954

Both averages broke below the early August lows and, for the first time since the intermediate term advance started in September, 1953, have established an intermediate downtrend. The Dow-Jones industrials reached a low of 333.21 as compared with an early August low of 338.70 and the rails reacted to 111.40 as compared with a previous low of 115.95. The lows were reached on Tuesday and since that time the market has recovered a good portion of the losses. At Thursday's high of 342.76, the industrials had regained just about half of 19.08 points decline from the August high of 352.27. A full two-thirds recovery would bring the average back to 345.93.

What is the significance of the past week's decline and what are the chances that the low of the move has already been reached at 333.21?

The market has been in an intermediate term uptrend for almost a year without even a 5% correction. This was unusual. We have been in a major uptrend in the averages since 1949, during which period the industrial average advanced 120% from 160 to 352. Despite this major uptrend, the average had nine corrections of 5% or more from 1949 through 1953. The most severe was the Korean break in 1950 when the industrials declined 15%. There were two declines of 9% and 8% in 1951 and three in 1952. One of these was only 5% and was the mildest of the nine. The other two were 6% and 7%. There were three in 1953 ranging from 7% to 10%.

The decline from the August high of 352.27 to the recent low was equal to 5.4%. If the low was reached at that point, the present decline would rank with the mildest of the nine previous corrections. A 15% correction would be equivalent to a decline to 300. An average of the nine previous declines is 8% which would bring the averages down to about 325. On my technical work, the first support point is 330 followed by a very strong support zone at 325-315.

Regardless of whether the average has reached its low at 333 or whether it will work somewhat lower, the main thing that my technical work shows is that the present decline is merely an overdue correction of an eleven-month advance of almost 100 points. This is not the start of a major decline like 1946 or 1937, but merely the tenth corrective reaction in a major advance that started in 1949 and still has further to go.

However, any discussion of the averages is purely academic. The action of individual issues is the important thing to watch. At the week's lows, many stocks appeared to be at or very closely approaching important support and buying areas. This is particularly true of the issues in my recommended list. Space does not allow me to reprint the issues in the list but they were all reviewed a month or so ago. They are again recommended for new purchase at or around the week's lows. In next week's letter, I will start an alphabetical review of the entire list. A few might be mentioned, however, as being particularly attractive at around the week's lows. They are American Potash B (55 $\frac{1}{4}$ ), Blaw-Knox (22 $\frac{1}{4}$ ), Cornell Dubilier (27), Idaho Power (51), Pan-American (13 1/8), Robertshaw Fulton (25 7/8), Union Oil (45 $\frac{1}{4}$ ), United Fruit (49), Yale & Towne (44 $\frac{1}{4}$ ),

A number of other issues are showing excellent technical action and should be added to the recommended list during periods of weakness. Aluminium, Ltd. was formerly part of the recommended list, but profit-taking was suggested at around the high of 74 3/8. It reacted to 64 $\frac{1}{4}$  during the week and was near the 62-60 area where repurchase is suggested. Armco Steel reacted from 51 7/8 to 46 1/8. Would add to holdings in the 46-43 range. Cities Service has declined from 106 7/8 to 95 1/4. Purchase is suggested in the 95-90 area. Dow-Chemical at 39 1/4 is down from 44 1/4. Would add to the list at 38-37. Dresser Industries reached a low of 29 1/8, down from 32 5/8. The 30-28 area is a buying range. General Electric would be in a buying range at 39-36 for long term growth. Hooker Electro-Chemical at 74 was near the 72-67 buying range. Kaiser Aluminum should be bought if the 33 1/4 low is reached again. As a low-priced speculation, Raytheon should be bought around the week's low of 12 5/8, down from a high of 15 1/4. Warren Petroleum reached 35 1/2, down from 40 3/8. It is in a buying range at 36-35. Visking Corp. reached a buying point at 62. Western Union has formed a very strong technical pattern. At the week's low of 50, down from 55 5/8, it was at the 50-48 buying range.

EDMUND W. TABELL  
WALSTON & CO.