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TABELL'S MARKET LETTER

April 13, 1956

The Dow-Jones industrials reached a new high of 524.37 on Monday before reaction to a low of 506.73 on Friday. The rail average, which seems to be meeting some supply around the 173 level, failed to reach new high territory during the week but reacted only moderately on Tuesday's weakness.

There is no change in my market opinion. I expect the various averages to do little marketwise for the next six months or more. On the upside, I find it difficult, at the moment, to envision a much higher level than roughly the 525-535 area. On the downside, there is strong support at the 490-480 level and again at 470-450. About the same situation prevails in the rails with 180-182 as a possible upside projection and support at 164-162 and again at 155-150. As I outlined in my year-end forecast, I anticipate a broad 10% to 15% consolidating area similar to 1951-1953 for at least the next six months. All of this will be in preparation for an eventual upside penetration at a later date to 750 or higher for the industrial average during the 1958-1960 period.

While the stock market as measured by the averages may move in a narrow trading area for the foreseeable future, individual issues will have worthwhile moves. The technical patterns of quite a few individual issues indicate the possibility of upside moves of 50% or more during a period in which the averages may hold in a 10% or 15% trading range. Conversely, quite a few patterns suggest greater percentage declines than envisioned by the averages and, of course, a much larger number indicate no movement of great importance in either direction. Perhaps a brief recapitulation of the technical indications of some of the groups might be of interest.

AIR-CONDITIONING. This group has done little marketwise for almost two years. Relative strength has been showing improving action recently and there appears to be little downside risk. Carrier Corp. and Trane Company appear to have the most interesting patterns.

AIRLINES. This is another group that has been resting and has done nothing of importance marketwise for a year. Still believe the longer term potentials are most interesting and with higher earnings indicated for 1956, there appears to be a minimum of downside risk in holding these issues. Almost all the issues in the group appear attractive technically, but Pan-American World Airways is my favorite. Also believe United Airlines offers above average possibilities.

AUTOMOBILES. It would appear that this group needs a bit more time to build up a favorable technical pattern and it may work a bit lower in the process. Later in the year, this group should offer some interesting profits possibilities.

BUILDING SUPPLIES. Very favorable long term patterns and recent action has been improving.

CEMENT. A further consolidating period needed.

CHEMICAL. Individual issues have diverse patterns, but the majority are on the favorable side.

DRUGS. Some very interesting profit potentials in this group.

MINING & SMELTING. Long term indications still remain favorable and should be bought on minor price declines.

MOVIES. Unfavorable.

OIL. Individual issues still look attractive. See March 29th letter.

STEEL. Has held in trading range for six months or longer. U. S. Steel pattern is typical. Has held in 51-62 area since July. An upside penetration would indicate 74-77. So far, relative strength has been below average but this may change. Group should be watched closely for an indication of the direction of the next move.

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