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TABELL'S MARKET LETTER

January 30, 1959

Since the start of the year the market, as measured by the averages, has held in a relatively narrow trading range between roughly 600 and 580. After reaching my intermediate term objective of 600 at the January 22nd high of 601.74, the average declined to a low of 584.71 this Wednesday. A good part of the decline was recovered at Friday's close of 593.96.

It is possible that the market is in need of some consolidation at around present levels, but there is no indication of an important top. A downside penetration of 600-580 trading range would indicate a long overdue technical correction which I would welcome as a buying opportunity. Such a correction, if it occurs, should not carry far. There is strong support in the 570-560 range and the minor potential tops already formed do not indicate a decline below that area unless the pattern broadens considerably.

The wisest course of action today, in my opinion, is forget about the action of the averages and the general market and concentrate on the action of individual issues. There are a great many that indicate higher levels before the present long term advance is completed. Technical corrections in issues in an uptrend should be welcomed as buying opportunities. The airlines, for example, have had a sharp advance since the first of the year, but the upside potentials on my technical work are considerably above both the recent highs and present levels. PAN AMERICAN WORLD AIRWAYS (28 5/8) on my recommended list at an original level of 15, reached a new high at 30 1/8 earlier in the month. It reacted to 27 1/4 on Wednesday. The longer term upside potential remains at 40-50 and there is good downside support at 26-24. About the same pattern applies to other airlines. The group appears to be a good buy on moderate weakness.

The oils, which started to show improving action before Wednesday's dip, also are attractive at current levels. They have formed substantial potential bases and could be one of the strong groups of 1959. GULF OIL (125), ROYAL DUTCH (48), SHELL TRANSPORT (21), and GETTY OIL (26 3/8) are on my recommended list.

The chemicals also appear to be forming interesting technical patterns. HERCULES POWDER (54 1/4) which is down from a recent high of 61, is near strong support levels. PENNSALT CHEMICAL (75) has reacted from a high of 85 and also appears attractively priced.

There are other issues that appear attractive. NEWPORT NEWS SHIPBUILDING (44 1/8) has, in my opinion, had a sufficient technical correction of its advance to 50 5/8. The company stated today that its 1958 earnings would be above the \$4.00 level anticipated earlier. The company's present backlog extends well into 1960 and earnings of at least \$4.00 a share appear to be a minimum. The maximum earnings, dependent on new orders from the ship subsidy program and atomic submarines for the U.S. Navy, could be considerably higher. I like the stock at present levels.

SINGER MANUFACTURING (49) down from a high of 54 7/8, and MAGNAVOX (51), down from a high of 60 1/2, are close to good support levels and should be bought on moderate weakness.

There are a number of other issues not in my recommended list that I would purchase on further weakness. CLUETT, PEABODY (48 1/2), recently broke out of a ten-year trading range between 22 and 50 to reach a high of 53. It reacted to 46 on Wednesday. Would add the issue to the list in the 45-47 area. A rail, CHICAGO, MILWAUKEE, ST. PAUL & PACIFIC (27 7/8), has built up a very interesting long term technical potential. The recent high was 30 3/8 and the stock has held in the 10-30 range since 1951. Ability to break out of this area would indicate a long term trend reversal. The stock moves in a wide range, but would add it to the list for long term holding if available in the 28-25 area.

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