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TABELL'S MARKET LETTER April 3, 1959

Considering the sharp drops (30% to 40% in some instances) in a number of over-exploited speculative issues, the general market performed in excellent technical fashion during the past week. It largely ignored the gyrations of the "lunatic fringe" and reacted moderately from the mid-March high of 618.80 to an intra-day low of 599.21 on Tuesday, a decline of only a little more than 3%. By Friday, much of the lost ground had been regained; an intra-day high of 614.39 being reached. Even more impressive was volume action. The top turnover (and the high of the market) was reached on March 13th with volume at 4,880,000 shares. At Tuesday's low, trading had dropped to 2,820,000 shares, a decline of 40%. Furthermore, the decline halted at the first support zone, the top of the 600-580 area. Also, the rail average, at an intra-day low of 157.73 on Tuesday, failed to break below the February low of 157.13. So far, action has been impressive. Best technical action from here on would be a "quieting down" phase with a further consolidating period followed by an eventual upside penetration of the highs in both the industrial and rail averages.

As mentioned in last week's letter, the present stage of the market, in my opinion, is quite similar to the March 1955 stage of the 1953-1956 rise. In March, 1955, the Industrial average already had completed 60% of its eventual advance. Various speculative stocks were having somewhat similar advances to those witnessed recently. These stocks suffered sharp price declines in the Spring of 1955 without unduly disturbing the general market which continued to advance until April, 1956 and then went through a lengthy topping out period for over a year. Markets never exactly repeat themselves, but applying the 1953-1956 pattern to the present situation would project a top at around 770 to be reached in a year or so, probably followed by a topping out or distributional period similar to 1956-1957. The sequel will probably be a decline greater than any witnessed since 1937. This is not as ominous as it sounds. We have not really had a severe decline in recent years. The greatest percentage drop was the 25% decline in 1946. The 1957 decline was 20%, but it took place in a short period of time. Any decline would probably halt at around the 525 level, the area of the triple tops of 1956 and 1957. If the average did reach 770, a decline to 525 would amount to about 30%, or a bit greater than the 1946-1949 bear market.

All of this is, of course, pure conjecture, but the present technical pattern lends some credence to the sequence outlined above. At the moment, the only issues that have built up vulnerable technical patterns are some (but not all) of the glamour stocks that have had steep price advances and are selling at extremely high price-times-earnings ratios. There are still a considerable number of issues that have sound technical patterns and indicate higher levels over the intermediate term.

FANSTEEL METALLURGICAL (60) offers interesting potentials. This leading domestic processor of rare metals such as tantalum and columbium also produces tungsten and molybdenum. Tantalum capacitors represent the fastest growing section of the company's products. Leading markets for the company's products are electronics, automobiles, metal working, electric power, aircraft and atomic energy. The stock sold at a 1957 high of 64 and reacted to 42 later in 1957. It recently equalled its 1957 high of 64 and has reacted to the 60 level. Ability to reach new high territory would be a constructive technical indication.

OLIVER CORP. (19) is a low-priced issue with an interesting technical pattern. The stock has recently broken out on the upside of the 8-18 area in which it had held since 1945. This should have considerable technical significance. This company has had a spotty earnings record, but it had a book value of $33.38 as of October 31st, 1958 and could be of interest to another company for merger or purchase of assets.

Both issues are being added to my recommended list.

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