

Walston & Co.

Inc

Members New York Stock Exchange

NEW YORK • SAN FRANCISCO • LOS ANGELES • PHILADELPHIA • CHICAGO

OFFICES COAST TO COAST AND OVERSEAS

TABELL'S MARKET LETTER

July 10, 1959

As was expected, the Dow-Jones rail average finally broke out on the upside of the long (almost six months) trading range, between roughly 157 and 170. This is a constructive technical development and confirms the strength already shown by the industrial section of the list. Subject to mild correctionary moves, the market appears to be headed higher after the three-month consolidating period between 610 and 648 from April to June and the longer period for the rails. The utilities, under the negative influence of money rates, will probably not participate in the advance to any great extent.

As I have said before, the market is probably in the final phase of the major advance that started in 1949. This final phase started at the October, 1957, lows. As mentioned in my letter of March 6th, a study of the 14 major upswings that have taken place since 1885 indicates that the average time duration was thirty months and the average percentage advance was 111%. To meet the average would mean that the present market advance might continue to April, 1960 and reach a high of around 880. Whether the advance will be below or above average is, of course, not ascertainable, but if the advance reached its peak at the recent high of 668.26, it would be the smallest percentage advance since the turn of the century, and from a timing viewpoint would just about be equal to the two shortest upswings since the same time period.

As the present advancing phase continues, it is to be expected that action will be increasingly selective and also that more speculative issues will come into play. Until the present phase started in October, 1957, the low-priced issues have done little marketwise since 1946. Despite the sharp runups in the general market in 1951-1952 and 1956-1957, it was not until mid-1958, twelve years later, that the index of low-priced stocks was able to penetrate the 1946 high. The advance in low-priced issues topped out in April of this year, but after a three-month consolidating period, began to show some signs of a renewal of strength.

The advance since the first of the year has been selective and will continue this action.

Among the best acting major groups have been electronics, textiles, airlines, rubbers, drugs, farm machinery, glass, aluminum, automobiles and meat packing. All of these groups have advanced 20% or more since the first of the year. On the other hand, quite a few groups are selling below the prices at the start of the year despite an advance of around 9% in the averages. The below-average groups were: sugar, cans, food chains, sulphur, gas, oil, business machines, aircrafts and utilities.

Most of the groups that have led the advance continue to show good technical action. The electronic issues moved ahead very sharply earlier in the year and reached their upside objectives outlined by the 1957-1958 bases. They have had a sharp correction and may be in the process of building up new accumulation patterns. The textile issues continue to indicate higher price levels. The airlines are among my favored groups. Two issues are on my recommended list, one of which is a prospectus issue. The other is NORTHWEST AIRLINES (42) which has recently been in a consolidating phase after reaching a high of 46 1/8 earlier in the year. This issue continues to indicate higher levels from a technical as well as fundamental viewpoint. Other attractive issues are: American Airlines and United Airlines. The rubbers also should continue their uptrend, although some issues have advanced sharply and may be in need of consolidation. My favorite is DAYTON RUBBER (35 5/8) which is on my recommended list. The farm equipment group is represented by OLIVER CORP. (21 1/4), a low-priced issue; the aluminum selections are KAISER ALUMINUM (59 1/2) and U. S. FOIL B (70 1/2) which still indicate higher levels over the longer term despite the healthy advance already registered. KAISER INDUSTRIES (18 5/8) on our low-priced list, is also a beneficiary in any advance in the aluminum stocks as well as steels. The meat packing group has been ably represented by WILSON & CO. (43), which has appreciated 180% from its originally recommended level of 15. In fact, most of the meat packing group looks attractive. I like most of the issues in the group. I am adding to my low-priced speculative list a meat packing stock that is subject to foreign uncertainties but has an attractive technical pattern. It is INTERNATIONAL PACKERS (15 5/8). It will be reviewed later.

Dow-Jones Ind. 663.56
Dow-Jones Rails 172.22

EDMUND W. TABELL
WALSTON & CO. INC.

This market letter is not, and under no circumstances is to be construed as, an offer to sell or a solicitation to buy any securities referred to herein. The information contained herein is not guaranteed as to accuracy or completeness and the furnishing thereof is not, and under no circumstances is to be construed as, a representation by Walston & Co., Inc. All expressions of opinion are subject to change without notice. Walston & Co., Inc., and Officers, Directors, Stockholders and Employees thereof, purchase, sell and may have an interest in the securities mentioned herein. This market letter is intended and presented merely as a general, informal commentary on day to day market news and not as a complete analysis. Additional information with respect to any securities referred to herein will be furnished upon request.