

# Walston & Co.

Inc

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## TABELL'S MARKET LETTER

February 26, 1960

The market appears to be approaching a fairly crucial stage.

The rally which began on February 17th continued this week and the Dow-Jones Industrials reached an intra-day high of 636.30 on Friday. The action of the next month or so should give some indication as to whether the current strength constitutes a technical rally, or the beginning of an intermediate term market upswing.

It will be remembered that the various downside potentials of the late 1959-early 1960 distributional top ranged between 605 and 550. It will also be remembered that the February 17th low was 603.24. As noted last week, a short term buy signal, certainly proven valid by this week's action, was given. In order for a major change in trend to be indicated, a number of things would have to take place.

(1) Strong base patterns would have to form in the various averages. Current bases give upside objectives between 639 and 655, certainly not far above current levels. Continued backing and filling in, roughly, the 605-650 range could produce a much higher indication, however.

(2) Breadth-of-the-market and other intermediate term indicators would have to turn favorable. This process may have begun, but it is by no means complete. In short, it does not appear to be wise to be an aggressive buyer of equities at the present moment. However, the time is fast approaching when such a policy can well be pursued. This buying could take place at, or slightly above, current levels, if the conditions mentioned above are fulfilled, or as new lows are made and the lower downside objectives between 605 and 550 are approached.

On November 8, 1958 this letter published a "package recommendation" of seventeen low-priced issues. It was stressed at the time that these issues should be bought as a package in order to provide the diversification necessary in a speculative list of this nature. The advisability of such a policy has been borne out by subsequent market action as individual performances have ranged from a 7.1% gain to a 50% loss. Over-all, the gain as a group, based on an equal dollar investment in each stock, would have been just under 10% or slightly less than the gain in the Dow-Jones Industrials during the same period.

The original theory behind the recommendation was that in the final stage of a bull market, low-priced speculative stocks tend to perform better than the general market. If indeed the bull market is not completed, as may well be the case, this theory would still be valid. The original list, together with recommended price and current price follows. Issues especially attractive for current purchase are underlined:

|                         | Recommended<br>Price | Current<br>Price |                          | Recommended<br>Price | Current<br>Price |
|-------------------------|----------------------|------------------|--------------------------|----------------------|------------------|
| Avco                    | 9                    | 14               | Hotel Corp.              | 7                    | 6                |
| Chemway                 | 11                   | 12               | <u>Intern'l Packers</u>  | 15                   | 20               |
| Curtis Publishing       | 15                   | 11               | <u>Kaiser Industries</u> | 15                   | 13               |
| <u>Decca Records</u>    | 18                   | 21               | <u>National Can</u>      | 12 *                 | 10               |
| <u>Divco-Wayne</u>      | 17                   | 26               | Oliver Corp.             | 19                   | 19               |
| <u>Fedders Corp.</u>    | 19                   | 18               | Pacific Petroleum        | 18                   | 11               |
| <u>Freuhauf Trailer</u> | 17                   | 29               | <u>Publicker Ind.</u>    | 10 *                 | 11               |
| Home Oil A and B        | 20                   | 10               | Rayonier                 | 18 *                 | 22               |
|                         |                      |                  | <u>United Industrial</u> | 13                   | 17 #             |

\* Adjusted for stock dividends.

# Arrived at by adding prices of new common and preferred received via merger.

AWT:amb

EDMUND W. TABELL  
WALSTON & CO. INC.

Dow-Jones Ind. 632.00

Dow-Jones Rails 150.86

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