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OFFICES COAST TO COAST AND OVERSEAS

TABELL'S MARKET LETTER

May 27, 1960

The stock market still seems unable to develop any breadth or vitality.

As was pointed out a week ago, despite the heavy volume of trading and a general advance in the averages, more stocks advanced than declined. The same tendencies held true this week with declining stocks outnumbering advancing ones on four of the five days. This is one of the things the market technician refers to when he says breadth -of-the-market is poor. Advancing tendencies, in other words, rather than being spread throughout the list, are restricted to a few stocks.

This phenomenon is nothing new. Indeed, it has been the characteristic feature of the stock market ever since April 1959. Since that time, on an average basis, more stocks have declined from week to week than have advanced. This weakness in breadth was, to a large extent, masked by a rise in the averages in the last quarter of 1959, and it was this poor breadth, as much as anything else, that made this letter mildly cautious in the second half of 1959, and quite pessimistic in December.

When one looks at the technical patterns of all the stocks listed on the New York Stock Exchange, the reason for the large number of declining stocks is not at all difficult to find. As many an investor is aware, to his sorrow, a good number of stocks have been in private bear markets of their own. Some of these declines extend back only a few months; others go back as long as two years. Included in this category of declining stocks are practically all major heavy industrial groups, probably accounting for a substantial portion of the total market value of all listed issues. These groups include, airlines, aircrafts, aluminums, autos, cements, chemicals, coppers, machineries, oils, papers, railroads, rubbers, steels, and textiles, practically the entire roll call of American industrial enterprises. Evidence can be produced to show that this trend began even before June of last year. For example, at its recent price the Dow-Jones Industrial Average was some 18% above its April 1956 high, yet a $10,000 investment in equal amounts of DuPont, Standard Oil of New Jersey, Aluminum Company of America, and International Paper, would be worth less than $7500.00 today. The price history of other leading equities has been equally desultory.

It has, of course, hardly been impossible to make money in the stock market. If our theoretical investor with his $10,000 had chosen to divide his investment among such stodgy, defensive issues as American Telephone, General Foods, Reynolds Tobacco, and Woolworth, his $10,000 would be worth $18,000 today, and had he chosen Poloroid, Texas Instrument, Brunswick, and Zenith (stocks which, it must be admitted, are easier to pick by hindsight than foresight), his $10,000 would have grown to the rather astounding sum of $124,335.

The market over the past four years then, has become a market of specialties. It seems likely to remain so until such time as the technical position of some of the major industrial groups mentioned above improves.

These improvements may still take a good deal of time. A majority of stocks in the groups mentioned above have reached, or are within 5% of, their downside objectives, from a technical point-of-view. Most of them lack any sort of base for a sustained advance. A long period of backing and filling will undoubtedly be required before any sustained advance in these stocks can be predicted. Until such time, as these bases form, it appears extremely likely that the market will continue to be an extremely specialized one where selection of individual stocks will be far more important than any attempt to guess the course of the averages.

Dow-Jones Industrials	624.78	EDMUND W. TABELL
Dow-Jones Rails	141.12	WALSTON & CO. INC.