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TABELL'S MARKET LETTER

June 17, 1960

A technical correction of the sharp advance of the previous week brought the Dow-Jones Industrials back to an intra-day low of 644.00 on Thursday. If the advance in the general market is to resume, support should be met around the 640-635 area. As has been true for a long time, the action of the general market has had little relationship to individual issues. Despite the decline in the Industrial average during the past week, over seventy new highs were reached on each of the first four days. Breadth-of-the-market action has failed to improve, however. There were more declines than advances on three of the first four days of the week; and my breadth-index is still below the high it reached in March. The action of this index must improve if the market is to have anything like a general advance rather than strength in individual issues. If breadth does not improve, the picture will suggest a technical pattern similar to 1956-1957 with a triple top at the September and January highs around the 685 level and whatever top is reached on this advance.

Extremely selective action continues in the market as a whole, and this is also true of my own recommended list. A number of issues have about reached upside objectives. H.J. HEINZ (105), recommended at 56, has an upside potential of 103-125. It has reached the lower part of this area at the high of 106. Profit-taking is suggested in the 103-125 area as a lengthy consolidation period may be needed in order to form a new pattern.

FERRO CORP. (64), recommended at 44, has reached a high of 67 7/8. The upside objective was 60-73. Would take profits in this area. As a possible replacement for these two issues I would suggest JOHNS MANVILLE (61) It has recently broken out on the upside of a trading range of over four years duration and developments in asbestos and the new fiber glass division indicate interesting capital gains potentials in the stock. A few other switches are indicated by recent relative strength action. MONSANTO (43), originally recommended at 38; has been showing below average action recently and a switch into Johns Manville or DAYSTROM CORP. (47) is indicated for better appreciation potentials. Daystrom entered my recommended list this week. It was mentioned as a potential purchase in the June 3rd letter if it reacted to the 45-43 area. A low of 43 1/2 was reached because the company called all the convertible debentures which caused temporary weakness. The outlook for this manufacturer of electronic control systems and electrical instruments is quite good and the technical pattern is most interesting.

KROGER CO. (33) was recently suggested at 35, but its relative strength action has been poor. Suggest a switch into BESTWALL GYPSUM (47), which is part of my recommended list. See letter of May 6th. CONSOLIDATION COAL (32), recommended at 36, also looks as though it would show little upward price movement of importance. Bestwall Gypsum appears more attractive for capital appreciation.

The relative strength ratings of the various groups has not changed materially from my letter of April 22nd. Groups acting better than the market continue to include drugs, electrical equipment, electric utilities, electronics, office equipment, packaged food, roofing and wallboard, soft drinks, tobacco and variety chains. Grocery chains, which were in this uptrend group, have shown slightly deteriorating action and the group is now questionable. The groups in a downtrend relative to the market continue to include aircraft, air transport, auto, chemicals, copper, oil, paper, railroads, steel and tire and rubber. Of these groups, aircraft and steels show some signs of improving action and could be placed in a neutral category. Machinery, which had been neutral, has returned to unfavorable.

In the smaller groups, best relative strength action is shown by air-conditioning, baking and glass. Neutral action is shown by fertilizer, finance, natural gas and sulphur. Below-average action is shown by brass, coal, gold mining, liquor, sugar and textile.

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Dow-Jones Ind. 650.89
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