

# 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 1, 1960

The market action of last week added very little to the technical pattern. The Industrials closed 5.61 points lower on the week and the Rails were off 1.03. The breadth-of-the-market index is not available at this writing, but probably showed very little change from last week. There were three days in which there were more advances than declines, and two in which declines predominated, so there was no important change in upside and downside volume indications.

Watching the present market is something like watching a three-ring circus. In one ring are the stocks which have had sharp advances, but are still making new highs. In the second ring are the stocks that have been declining since the first of the year and are still making new lows; and in the third ring are the stocks that are just doing nothing.

As far as group action is concerned, there has been little change from the comments in the June 17th letter. Most of the "bread and butter" groups, like the autos, oils, steels, chemicals, machinery, paper, rubber, copper and textiles, continue to show below average relative strength. The aluminums recently entered this classification. Above average strength patterns continue to be shown by electronics, office equipment, drugs, glass, foods, soft drinks, utilities and specialties. There are, however, some indications of an impending change in trend for some of the groups. Many of the issues in the groups that have been the market leaders are at or are approaching their upside objectives on my technical work and should be ready for at least a lengthy consolidating period. The question then will be whether or not a reactionary period in the present market leaders will carry the laggard groups and the rest of the market down with them, or whether the hitherto laggard groups can take over and assume market leadership. The breadth-of-the-market index will probably give the answer to this question. Ability to move above the March high would indicate a broadening of the market pattern and participation by new groups. A new low in the index would probably indicate new lows in the averages. At the moment, the index is no better than neutral in its action.

As far as relative strength is concerned, it is, of course, quite obvious that the laggard groups are still showing poor action. However, the deterioration that has been in effect in some of these groups, as early as April, 1959, shows some signs of slackening. For example, of the major groups, there are only two whose relative strength line has reached new low territory in the past two or three weeks. The two are aluminum and food chains. All the other major groups have held above their relative strength lows. Three laggard groups have improved their technical action to the point that they are close to indicating a change in trend. The three groups are aircraft, airlines and cement. All three of these groups had been showing very poor technical action for a long time.

Some of the laggard groups, while still showing poor relative strength, have been building up very sizable potential bases. The steel group is a good example. Despite the discouraging news developments in the industry on production rates and new orders, the steel group has held in a trading shelf for the past two months. U.S. Steel (79), for example, has held in the 75-84 range. Ability to break out on the upside would indicate an advance to the lower part of 108-99 overhead supply at the 1959 top. Armco Steel (64), Inland Steel (44), Jones & Laughlin (68) and Republic Steel (62), have similar patterns. These issues should offer interesting trading opportunities if one is willing to abandon positions if the March-May lows are penetrated on the downside.

Even the oils, while still showing poor relative strength, have in many instances reached or approached downside objectives and have formed potential base patterns. The bases formed so far are not substantial, but could in the case of Standard Oil of New Jersey (40) bring the stock back to the 47-50 level.

Other laggard groups with similar patterns include building supply, chemicals, coppers, fertilizer, and sulphur. If all of these groups, together with the laggard groups mentioned earlier in the letter, reverse their intermediate trend, it would be possible for the breadth-of-the-market index to move above the March highs and for the various industrial averages to reach new high territory

Dow-Jones Ind. 641.30

EDMUND W. TABELL

Dow-Jones Rails 142.76

WALSTON &amp; CO. INC.

This market letter is intended and presented merely as a general informational 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.