

# 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

September 9, 1960

Last week's market action was hardly encouraging.

The averages dropped off sharply in the first two days of the week, and, with declines heavily outnumbering advances, the weakness extended throughout most of the list. The Dow-Jones Industrials reached a low of 607.39 on Thursday before holding and finally staging a moderate rally on the final day of the abbreviated week. Volume, both on the decline and the subsequent rebound, was unimpressive.

However, in order to be discouraged by this week's action, it would be necessary for the technician entirely to disregard all of the positive technical signs given by the market during the past month. This we refuse to do. This week's action will certainly result in some deterioration of breadth and volume figures. The deterioration will hardly be sufficient to reverse the positive trends of the past few weeks.

Final breadth figures for last week are, of course, not available at this writing. However, it is worth reviewing just where volume and breadth indices will probably stand when the final figures are in.

As mentioned above, the averages declined this week to 607, very close to the thrice-tested low around the 600 level. Nevertheless, the weekly breadth index will undoubtedly be above, or not much lower than, the level it reached in February-March when the average was around 635 and in June when the average reached a peak over 660.

Volume figures are equally impressive. For the past ten weeks, upside volume has been 75.3 million shares and downside volume has been 58.3 million. Thus, on the shorter-term volume indicator, upside volume still stands considerably above downside figures. On the longer term 25-week indicator, downside volume is slightly above upside volume. Twenty-five-week figures, however, are somewhat less susceptible to near-term market changes, and, in any case, it is worthy of note that this week's downside total of some 184 million shares is well below the level of over 200 million shares which prevailed from February through July. Upside volume of about 178 million shares is still well above the 150-170 million range in which it held through most of 1960. Without going into details of the interpretation of the above figures, suffice it to say that they are extremely positive.

There is, of course, no law saying that the market cannot continue to drift lower in the face of favorable breadth indications. Were there such a law, market analysis would be an exact science which, most emphatically, it is not. On the basis of technical work, however, it must be considered as probable that the market will hold around the already-tested 600 level.

Any projection based on probability, however, must be considered in the light of risk involved if the projection turns out to be wrong. Here again we return to the long-term projection so often voiced by this letter -- the indication that the market should hold roughly within the 550-750 range over the next three to five years. This would mean that any sharp decline below 600 would bring the market to the 600-550 range which has been repeatedly mentioned as a favorable area for new stock purchases. Should the 600 level hold, the previously mentioned upside objective of 700-720 would still be valid. Thus, in the most simple terms, with the Dow-Jones Industrials at around 615, there is a potential gain of better than a hundred points on the upside measured against some sixty points risk on the downside. Any further weakness enhances these odds.

It therefore becomes apparent that investment odds at this moment strongly favor the purchase of stocks. Any further weakness would probably present one of the best buying opportunities for equities in quite some time.

Dow-Jones Ind. - 614.12

EDMUND W. TABELL

Dow-Jones Rails - 134.76

WALSTON &amp; CO. INC.

This market letter is not intended 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, 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. WN 301