

Walston & Co.

Inc

Members New York Stock Exchange

NEW YORK • SAN FRANCISCO • LOS ANGELES • PHILADELPHIA • CHICAGO

OFFICES COAST TO COAST AND OVERSEAS

FILE COPY

TABELL'S MARKET LETTER

September 30, 1960

The stock market decline continued throughout last week with the Dow-Jones Industrials reaching a low of 565.49 on Thursday. A late Thursday rebound continued on the final trading day and, at Friday's high, the average had recovered some seventeen points to 582.47.

At the week's low, the Dow had fallen well over one hundred points from the January high. Prospects at present can be viewed from two standpoints, that of level and that of probable trend. From a level point of view, the market had this week, in terms of most averages, reached or come close to reaching, the most pessimistic downside implications of the August-January top. It had reached a point very close to the lower limit of the trading range envisaged by this letter as containing the market over the next two to four years. It had, moreover, reached a point where many stocks were selling on a pure yield basis and at a relatively modest relationship to earnings. It would thus appear that the only stimulus to further decline in a large segment of the list could come from a fairly severe recession which would place dividends in a good deal more jeopardy than that in which they now seem to be. So far, economic indicators do not seem to point to a business decline of this magnitude. Thus, it was pointed out in this letter two weeks ago that investment odds would favor the purchase of selected equities on any further decline. Obviously, the sharp drop of the past two weeks has made these odds more favorable.

From a trend point of view, the situation is less clear. It is belaboring the obvious to state that the trend of the general list since the first of the year has been downward. The obvious question at this point is what of the chances for an imminent reversal of that trend.

Here technical studies strike a few optimistic notes. For the first time this year, the market had, at this week's lows, reached a sharply oversold position on most technical indicators. A rebound from such an oversold position is normally the first indication available to the technician of a change in trend. Friday's action was certainly the start of such a rebound, and if it is continued next week, a rally of at least temporary proportions would probably be indicated.

Another optimistic note is that this week's oversold condition was reached without any increase in liquidating pressure to new highs. On both a 10-week and 25-week moving total basis, downside volume at week's end was well below the levels that had been maintained through most of 1960. Upside volume, on the other hand, was considerably above the low points reached in the earlier part of the year. These figures evidence an essential strength which has hardly been apparent in the action of the averages.

One other factor should be noted. This is the all-important characteristic of selectivity which has characterized the action of the equity market for almost five years and has been just as evident in the recent decline as on many previous occasions. It is obvious to anyone who has scrutinized the entire list closely that many individual stocks and industry groups have strongly resisted the downside pressure of the past few weeks and that some have even advanced. Despite the fact that the Dow is a hundred points below its January high, a goodly number of issues are at this moment selling above their January levels. This type of action confirms the thesis so often mentioned in this letter that individual stock selection is far more important than attempts to pinpoint highs and lows in the averages.

Thus, there appears to be very little reason to alter the thesis voiced by this letter over the past few weeks. This thesis is that the current weakness provides an opportunity for the purchase of carefully selected common stocks on a long term basis.

ANTHONY W. TABELL
WALSTON & CO. INC.

Dow-Jones Ind. - 580.14

Dow-Jones Rails - 125.42

This market letter is not, and under no circumstances is to be construed 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, and 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