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TABELL'S MARKET LETTER

December 23, 1960

Last year at this time, despite the almost unanimous bullishness expressed in business and financial circles, this letter turned pessimistic on the stock market because of its unfavorable technical action, particularly on the breadth-of-the-market indices. The Dow-Jones Industrial average closed the year of 1959 at 676.97 and reached the peak for 1960 on the first trading day of the new year at an intra-day high of 688.21. At the October low of 564.23, the Industrial average had declined 18%. At this Friday's noon average of 613.79, the Industrials were almost 10% below the 1959 year-end price level.

I am much more optimistic on the 1961 stock market outlook than I was a year ago on the 1960 market. In fact, for the last two months I have privately expressed the opinion that stock market action in 1961 will be the reverse of 1960. By that I mean that in 1960 the high was reached very early in the year and the low in the latter part, and in contrast I believe that in 1961 the low will be reached in the early part of the year and the high will be reached very late in the year. This indicates that 1961 will be a good market year.

However, I do not expect a runaway market on the upside. The business trend is still downward and will probably continue so until Spring. The Industrial Production index, now at 160, will probably reach a low around 155, compared with a January 1960 high of 168. The dip in business has been relatively mild so far and indications are that it will remain mild. As the dip in economy continues, recession talk will grow louder and more exaggerated. The stock market acts as a barometer rather than a thermometer and should reflect a change in the business trend before the reversal shows up in the actual business indices.

While I am bullish on the 1961 market outlook, I do not anticipate a large percentage rise. The market is too high on the fundamentals of earnings and dividends to expect another sharp rise on top of the 300% rise from 1949 to 1959. However, many individual issues today are undervalued. I visualize the Industrial average at somewhere around 700 at the end of 1961, or an advance of about 14% from present levels, and about 20% from the October, 1960 lows. Obviously, the advance will be selective and many issues will do much better than average and many will do much worse.

As for the immediate market pattern, the Industrial average has bettered the November intra-day high of 614.09 to reach 621.33, but is still below the downtrend line extended from the January high of 688. This downtrend line is now at the 633 level. The Rail average has not bettered its comparable November high of 130.82, but is very close to doing so. The downtrend line in the Rail average extends all the way down from the July, 1959 high of 174.41 and now stands at 134. On several of the other averages, comparable downtrend lines have been penetrated on the upside. I expect these downtrend lines in the Dow-Jones will also be broken on the upside early in 1961.

The selectivity in evidence for a long time will continue. On October 28th, this letter recommended eighteen issues for purchase. They are enumerated below. This list has appreciated, on average, 11.1% while the Industrial average has risen 6.1%.

	10/28/60	12/22/60		10/28/60	12/22/60
Anderson Clayton	36 3/4	37 1/2	No. Amer. Aviation	41 1/2	47 3/8
Columbia Pictures	21 7/8	22 1/4	Panhandle East. P	47 7/8	49
Dome Mines	25 1/8	23 3/4	Richfield Oil	84	89
Freeport Sulphur	24 7/8	29 3/8	Seaboard Finance	22 1/4	22 1/2
Gerber Products	56	63	Swift & Co.	44 1/2	46 1/2
Louisiana Land	50 1/2	58 1/2	Thompson-Ramo	57 3/4	69 3/4
Martin Company	52 1/2	61	Twentieth Cent. Fox	36 3/4	42 1/4
McCall Corp.	29 7/8	39 3/4	United Airlines	30 3/4	35 1/4
Microwave Assoc.	33 1/8	35 7/8	Varian Assoc.	40 3/4	48 3/8

All of these issues show above average relative strength and indicate higher levels. Columbia Pictures, Panhandle Eastern, Seaboard Finance and Swift & Co. appear attractive at these levels. Next week, this letter will feature a broad list of issues that are in uptrends and could be the market leaders of 1961.

A VERY MERRY CHRISTMAS TO ALL

Noon Dow-Jones Ind. 613.79

EDMUND W. TABELL

Noon Dow-Jones Rails 129.46

WALSTON & CO., INC.

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