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TABELL'S MARKET LETTER

February 3, 1961

The market continued its upward surge and, at the week's intra-day high of 657.20 in the Dow-Jones Industrials, was in the upper range of the 640-660 supply area where normal technical action would call for a consolidating phase before a testing of the August 1959-January 1960 double top at 685-688 is attempted. Despite the sharp rise in the last three months, there are no signs of an important top, except that the averages are meeting supply in this area. The Industrial average has held for five trading sessions in the 645-655 range and the inability of the market on Friday to move ahead despite the heavy volume of 5,210,000 shares is an indication that there is considerable stock for sale at this level. Whether the market can push through immediately without a technical correction is open to question. However, longer-term breadth-of-the-market action continues the improvement which started in October and indicates that the advance from the October 1960 low of 565 still has quite a bit further to go from both a time and price point of view.

In an advancing phase, a correction of about one-third of the previous advance is a normal technical sequence in order to correct a temporarily overbought pattern. A one-third correction of a 95-point advance from 565 to 660 would call for a dip to the 630-625 area. However, such a general market correction might have very little price effect on individual issues that are in an uptrend and attempting to take advantage of a technical dip of this nature might result only in a loss of position. It would seem wiser to concentrate on the action of individual issues rather than the averages at this stage of the market pattern, and to use current strength to lighten commitments in issues with unfavorable longer-term patterns and add to holdings in issues with a favorable outlook in the event of a market correction. The longer-term pattern in the Industrial average indicates a probable penetration of the 685-688 high some time later this year. The present upside potential, from a technical viewpoint, appears at this writing to be somewhere around the 725-750 level, with occasional technical corrections along the line before this objective is achieved.

Most of the issues in my recommended list are showing above average action. The complete list was last published in the December 30th letter. Incidentally, Daystrom (30 3/8) was inadvertently omitted from the list at that time, although it was included in the compilation that was issued on the same date with ratings, yields and comments, and available at your Walston office. Daystrom has been showing below-average action recently and is near the October low of 27 1/2. Conversion of the debentures and the acquisition of a new company has diluted per share earnings, but the long-term outlook is favorable and, technically, the stock appears to be building a base pattern that may take further time to complete. Daystrom is primarily an electronic and electrical and atomic instrument producer with non-defense business expanding.

As mentioned in last week's letter, the temporary dip in the aircrafts offered a buying opportunity and the issues mentioned recovered sharply with Boeing (40 1/4), Rohr (21 1/4) and Thompson-Ramo (77 7/8) reaching new highs for the move. The only exception was Martin Co. (old-59 1/4, new when-issued 29 3/4) which sold down on the reasoning that the successful firing of the Minute Man, a solid fuel missile, would out-date the liquid fuel Titan. Technically, the stock has a possible 29-28 downside objective on the new stock and 58-56 on the old. There is good support at this level. Other issues in the group have a clearer pattern at the moment. One way of participating in the missile and aircraft, and to a lesser extent, in the airlines, is through National Aviation (28 1/4), a closed-end investment trust listed on the New York Stock Exchange.

Other issues in the recommended list that have not yet participated in the rise to any great extent include: American Broadcasting (46 1/2), Caterpillar Tractor (32 3/4), Columbia Broadcasting (37 1/2), El Paso Natural Gas (28), Ford Motor (68 1/2), General Precision Equipment (61 7/8), Great Western Sugar (32 5/8), Holly Sugar (30 5/8), International Tel & Tel (48), Lone Star Gas (45 1/2), Panhandle Eastern Pipe Line (50 1/2), and United Artists (35 1/4).

Dow-Jones Ind. 652.97
Dow-Jones Rails 143.10

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