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TABELL'S MARKET LETTER

September 15, 1961

The market in the past week twice declined to near the August intra-day low of 709.54 on the Dow-Jones Industrials, but held above the low point on both occasions. The Monday low was 710.47 and Friday's low was 710.23. The Industrial average closed 4.61 points lower on the week. Breadth action showed no improvement.

The poor breadth action since the May top in the breadth index has been the result of a technical correction of the speculative excesses of the Spring splurge in "glamour" stocks and new issues rather than any fundamental change in either the international picture or the business outlook. Locked-in speculative buying power has brought about a loss of upside momentum in the speculative favorites of the early part of the year. Best price action in recent months has been in the better-grade investment issues.

Regardless of the action of the averages, the outlook is for an extremely selective market over the nearer term with individual stocks moving in both directions, but with the majority working lower. Of the over 1,500 individual stocks that we cover from a technical viewpoint, probably a third have favorable or above-average technical patterns, while the remainder are either unfavorable or negative. In an uncertain period of this nature, when breadth action is poor, it is wiser to concentrate holdings in issues that are acting better than the market rather than attempt to guess the bottom of a downtrend. From a group viewpoint, the groups that show the best technical action and are still selling below their upside potentials include: Automobiles, Automobile Equipment, Chemicals, Electrical Equipment, Gold, Paper, Rails, Rubber and Textiles. The groups showing the poorest technical action include: Airlines, Aluminum, Electronics, Farm Machinery, Fertilizers, Glass, Moving Pictures, Oil, Photography and Soft Drinks. The remaining groups are more or less neutral in their action. The picture is complicated by the fact that there is even diverse action within the groups themselves. The fertilizer group, for example, is acting very poorly, but International Minerals & Chemical (49 1/2) is showing excellent technical action while another fertilizer issue, Tennessee Corp. (59 3/4) is showing below-average technical action. Both issues are on our recommended list. A switch into International Minerals & Chemical from Tennessee Corp. appears to be in order from both a technical and fundamental viewpoint.

Based on this same reasoning, a number of other switches in our recommended list are suggested. The following issues are showing below-average action at the moment: American Airlines (21 1/2), American Broadcasting (44), Barber Oil (53 3/4), Bestwall Gypsum (39 1/4), Deere & Co. (50 5/8), Garrett Corp. (46 1/8), General Precision Equipment (62 1/2), Heyden Newport (21 3/8), Richfield Oil (40 3/8), Tennessee Corp. (59 3/4), Thompson-Ramo Wooldridge (56 3/4), Twentieth Century-Fox (35 1/2), United Airlines (41 7/8), and U. S. Borax (36 1/2). We are dropping these issues from the recommended list.

The following issues in our recommended list have higher upside potentials and are suggested as replacements for the above issues: American Viscose (60 1/8), Atchison, Topeka & Santa Fe (27 1/4), Chicago & Northwest. (21 1/4), Colgate Palmolive (47 1/8), Daystrom (34), Diamond National (43 1/2), Dome Mines (24 1/2), Goodrich (72 3/8), International Minerals & Chemical (49 1/2), Kerr McGee (41 1/2), Newmont Mining (73), North American Aviation (53), Penney (48 7/8), Raytheon (39), and Woolworth (74 3/8).

Also being dropped from our recommended list is Columbian Carbon (66 3/8). This company is to be merged into Cities Service Company with each Columbian Carbon stockholder receiving 0.67 shares of a new Cities Service convertible preferred per share of Columbian Carbon. This stock would carry a \$4.40 dividend and each share would be convertible into 1.63 shares of Cities Service common. For the long term investor the new preferred carries a relatively generous 4.4% yield and offers a conversion feature which may ultimately be extremely valuable. On this basis, the stock may be held, but the investor interested in intermediate-term capital gains would probably find the stocks mentioned above more suited to his purpose.

Dow-Jones Ind. 716.30

Dow-Jones Rails 143.70

EDMUND W. TABELL

WALSTON & CO. INC.

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