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TABELL'S MARKET LETTER

December 29, 1961

In our letter of December 23rd, 1960, we forecast that 1961 would be a good year. The opinion was expressed that the low would be reached in the early part of the year and the high would be reached late in the year. We felt the advance would be selective and that many issues would do much better than the averages and that many would do much worse. We expected the Dow-Jones Industrial average to close somewhere around the 700 level, which was 14% above the 1960 close.

The Dow-Jones Industrial average closed 1960 at 615.89. The intra-day low was made on January 4th at 608.46. The high was reached on November 15th at 741.30. The Industrial average closed at 731.14 for 1961, or 19% above the 1960 close.

The 1961 market actually held in a comparatively narrow range. The range from the low of the year to the high was 24%. The range for the last six months of the year was even more restricted. The low was 674.80 and the high was 741.30 or a range of less than 10%.

The market was extremely selective as witness the rise of the glamour issues earlier in the year, followed by a 30% to 50% decline, and the sharp rise in defensive groups in the later half of the year. The selectivity became even more pronounced as the year progressed. At the close of the week ending December 22nd, the twenty-five week moving totals of advances and declines showed 16,523 advances and 16,584 declines or slightly more declines than advances.

For 1962, we expect the market timing pattern to be the reverse of 1961 with the high reached early in the year and the low later in the year. In June, we expressed the opinion that the high for the bull market would be somewhere between 725 (which seemed low) and 825 (which seemed high). Most indications centered around the 750-775 range and we now believe that this is the more probable upside objective. On the downside, it is difficult to project a figure as the potential top has not yet been formed. The objective should be clearer as the year advances. The expectation would be for much wider swings back and forth in the average than in 1961. The bull market is now 14 months old and is reaching a mature stage where wider swings are to be expected.

To even a greater extent than usual, we expect extreme selectivity in 1962. The price action of individual issues will be much more important than the trend of the averages. Entirely different groups and issues may be the market leaders of 1962. We will publish shortly a list of issues that appear to fit into this category. The present recommended list can be obtained from your Walston representative early next week.

In order to prepare for an anticipated change in market leadership we are dropping fifteen issues from our recommended list. The issues being eliminated are: American Potash & Chemical (54), Arkansas Louisiana Gas (40), Central & South West Corp. (43), Freeport Sulphur (28), Haveg Industries (34), Hercules Powder (105), Ideal Cement (30), Lone Star Gas (27), Magma Copper (68), Marquette Cement (54), National Aviation (31), Northern Natural Gas (45), Oklahoma Gas & Elec. (44), Southern Natural Gas (47), Texas Gulf Sulphur (22).

These fifteen issues bring to sixty-eight the number of stocks formerly recommended in which this letter has recommended acceptance of profits since the first of the year. These stocks were held for varying lengths of time, the shortest period being around six months. Fifty-three stocks advanced from the original recommendation to the day they were selected for sale, with the largest advance being 363% in the case of Magnavox. The average advance for all 53 issues was 46.4%. The fifteen issues that declined showed an average loss of -6%.

Of course, since the various issues were originally recommended at different times, their percentage performance is of no interest unless compared with the performance of the Dow-Jones Industrials over the same period. Here the tabulation is significant.

Forty-one stocks advanced more than the Dow, with 16 of these 41 showing advances four or more times as great as the average. Twenty-one stocks showed advances three or more times as great, and 29 stocks posted advances at least twice as great. Twenty-seven stocks failed to perform as well as the Dow, including the 15 losses mentioned above, and 12 stocks which advanced less than the average.

A VERY HAPPY NEW YEAR TO ALL

EDMUND W. TABELL

Dow-Jones Ind. 731.14

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