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OFFICES COAST TO COAST AND OVERSEAS**TABELL'S MARKET LETTER**

July 27, 1962

Since May 27th, the Dow-Jones Industrial average has fluctuated in a hundred-point area between 625 and 525. Actually, most of the time has been spent in a much narrower range. For the past forty-three trading days, including May 27th, the average has sold below 550 during only five trading days and above 600 during only ten trading days. For the remaining twenty-eight trading days, or almost two-thirds of the time, the intra-day range has been between 550 and 600. During this two-month period, the averages and a sizable number of individual issues have, from a technical viewpoint, formed fairly substantial potential base patterns. The Dow-Jones Industrials, for example, have built up a possible base centering around the 570-575 area with a possible upside potential of 620 to 650. Technically, such an objective would be signalled by the ability of the average to reach 600. The early July intra-day high was 599.02.

Such an objective would also be signalled by the ability of the breadth index to better its early July high. Our various breadth studies have shown definitely improving action since June. While no positive signals of a change in trend have been given as yet, the indications are that this could happen shortly. The odds appear to favor an upside breakout of the recent trading range.

~~At this stage of the market pattern, relative strength can be a very important technical tool. Relative strength is the price action of an individual stock as compared to the averages. For example, if the average declined 10% and an individual stock declined only 5%, that stock is showing above-average action or good relative strength despite the fact that it has declined. Conversely, if the average advanced 10%, and an individual stock advanced only 5%, the relative strength of the individual stock is poor. Another, and simpler, approach is to select the stocks or groups of stocks that have held above a previous low despite the fact that the average reached new low territory. For example, the Dow-Jones Industrial average reached a low of 564.23 in October, 1960, and then advanced to 741.30 in November of 1961. The recent decline has broken below the 1960 low to reach 524.55. The individual stocks or groups of stocks that have held above their own 1960 lows have, therefore, shown above-average action and their relative strength is good despite the fact that they have declined in price. There is usually a good fundamental reason for this price action. The fact that these issues are meeting better support than the rest of the market usually indicates a rising earnings trend or better prospects or both. More often than not, issues showing good relative strength during a decline become the leaders of the next advancing phase.~~

~~Quite a few groups have held above the 1960 lows despite a new low in the averages. Some of the more important Standard & Poor's group indices that fall into this category are listed alphabetically below:~~

Aerospace	Fire Insurance	Oil
Automobile	Food	Railroad Equipment
Auto Trucks	Gold Mining	Rayon
Banks-Outside N. Y.	Machine Tools	Retail Stores
Beverage-Distillers	Machinery-Construction	Shipbuilding
Beverage- Soft Drinks	Machinery-Oil Well	Shipping
Coal	Machinery-Steam Generating	Soaps
Containers-Metal & Glass	Mining and Smelting	Textiles
Fertilizers	Natural Gas	Tobaccos
Finance Companies	Office Equipment	Utilities

The oils have shown particularly good technical action. This group average reached its high in June, 1957 and completed a three-wave downtrend three years later in June, 1960. Since that time the group average has been in a slow uptrend. It has not only held above the 1960 low but also above its October, 1961 low. Among the oils and associated companies in our recommended list are: Gulf Oil (35), Kern County Land (70), Louisiana Land (65), J. Ray McDermott (23), Murphy Corp. (16), Phillips Petroleum (46) and Royal Dutch (38).

Dow-Jones Ind. 585.00
Dow-Jones Rails 121.83

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