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## TABELL'S MARKET LETTER

December 14, 1962

The market, for the first time since the advance started on October 23rd, failed to reach a weekly high for the move. As we noted in the last letter, our rate of change index has been moving slowly downward and is indicating a loss of upside momentum. The index is now below zero. However, we would not expect the market to move much lower at this juncture. A further decline to around the 630 level would bring this short term rate of change index down to an oversold area. This week's intra-day low was 638.88 on Tuesday. Such a development would be normal technical action after the steep rise of over 100 points from the October 23rd low. The market will probably move upward again toward the later part of the month, and the rise should continue somewhat deeper into the 650-685 area which we consider to be the upside objective for this stage of the advance.

While the favorable outcome of the Cuban crisis undoubtedly furnished the spark for the advance from the October 23rd low, the basic groundwork for the advance was being laid between July and October. Many investors, both institutional and private, increased their liquidity during this period by selling stocks. As a result, there was a sizable amount of money awaiting equity investment when the Cuban crisis reached an early stage of development. This was indicated by the favorable technical pattern of the market. However, when the rise started, it was so sudden and broad that probably a sizable portion of these funds remain uninvested. This will be a prop under the market during December and January.

Another factor that has contributed toward the rise has been the possibility of a tax cut in 1963. Some cold water has been thrown on this possibility recently. Failure to bring about a tax revision until a later date would undoubtedly result in some market disappointment, but the outcome will not be known until Spring.

The outlook for the market remains the same. Quite a few individual issues indicate higher levels and we expect a firm market into early 1963. However, probably there has not been, from a technical viewpoint, sufficient time to build up enough of a base to indicate a major advance. Such a development will require a further consolidating period. At the moment, it would appear that 1963 will be an "inside year" and that neither the high or low of 1962 will be reached during 1963. In fact, in our opinion, the probabilities favor a trading area that will hold within the confines of, roughly, 575 and 700 for the entire year. This is merely an extension of our opinion that the market reached a major top in 1961 at 741.30 and a major bottom in 1962 at 524.55. These levels may not be penetrated for a considerable period of time. In fact, it is possible that the 525 level may never be penetrated. In the meantime, the market will remain in a broad trading range and eventually, in our opinion, will break out on the upside of this reaccumulation area.

We are continually repeating this projected pattern because we believe it should be in the background of every investment decision regardless of whether the individual is mainly interested in an intermediate-term six-months capital gain, or a long-term investment. To those interested in intermediate swings, we would expect excellent trading opportunities with the market probably swinging back and forth in a relatively wide area during the year. To the longer-term investor, the implication is somewhat different. 1963 may present the last opportunity to build up a long-term investment portfolio at a price level fairly close to the levels reached over six years ago when the Dow-Jones average sold at 525. To the investor, our advice for 1963 is "buy on weakness" in contrast to our admonition to "sell on strength" in 1962.

As for the stocks to buy, probably the sound, blue chip equities of the largest and strongest companies will prove to be the best vehicles in the early stage of the long-term advance.

EDMUND W. TABELL  
WALSTON & CO. INC.

Dow-Jones Ind. 648.09  
Dow-Jones Rails 137.64