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TABELL'S MARKET LETTER

Fort Myers Beach, Florida
March 8, 1963

The past month has been a very pleasant one as far as the writer is concerned. The early part of the month was spent on a tour of some of the Walston offices in Southern California, Arizona and Texas, and the later part in Antigua and in Florida. As a result, I have been more or less away from the day to day developments in the stock market since early February. This, on occasion, is a very sound procedure. It gives one an opportunity to ignore the often confusing nearer term action and to concentrate on the longer term picture.

As I look at the technical pattern from the longer-term viewpoint, there is very little of importance that has occurred over the past month. At the start of the year, this letter said that 1963 would be an "inside" year. By that we meant that the Dow-Jones Industrial average would not reach a new high above the 1961 high of 741, or reach a new low below the 1962 low of 525. Probably the range will be even narrower than that and the average will not move much above 700, or much below 600. This is part of the long-term pattern that was envisioned as far back as 1959, when this letter said that the market would probably reach a high in 1961 at around the 750 level, and then react to the 550-525 level, to be followed by a lengthy trading range between these two extremes for several years. We find no reason to change this forecast.

Contrary to general opinion, the market is not always moving either up or down. It actually spends most of its time in sidewise movements. This is normal action as price movements usually go to extremes -- both on the upside and on the downside, and long periods of consolidation are needed to adjust to a new set of conditions. Since 1946, there have been five lengthy consolidating periods before the market reached new high territory. In May, 1946 the Dow-Jones Industrial average reached a post-war high of 213. It was not until April of 1950, or forty-seven months later, that this high was bettered. After a high of 295 in January, 1953, the market had a comparatively mild correction to about 250, but it was fourteen months later before the 1953 high was penetrated. In April of 1956, the averages sold at 525, and it was not until September 1958, or twenty-nine months later, that a new high was reached. The August 1959 high of 685 was not exceeded until twenty-one months later in March, 1961. The all-time high of 741 in the Dow-Jones Industrial average was made in November 1961, or approximately fifteen months ago. Considering the fact that the first phase of the long-term bull market from the 1949 low probably ended in 1962, and that the correction from 741 to 525 was the sharpest decline (29%) since 1937, it would appear that the ensuing consolidating period or trading range might take two to four years. In other words, it may not be until somewhere between October 1963 and October 1965 that a new high is reached.

Recently, we have noted some comments comparing the present market action with that of a year ago just before the April-June 200-point decline to 525. Outside of the fact that the present market has lost some of its upside momentum after the sharp 140-point rise since October, there is no technical resemblance to the market of a year ago. In March of 1962, the breadth indices had been showing unfavorable action for ten months, and a sizable distributional top had been formed with a downside potential of a sizable decline. Today, the breadth index has been fluctuating with the market and there has been no sign as yet of deviation. Furthermore, neither the average, nor most individual stocks, have formed dangerous top patterns. Last year, the market was close to a downside breakout of a ten-month distributional top. Today, the market is in the process, in our opinion, of forming a very important long-term reaccumulation base that will probably require a longer period of time to complete. In late 1961, and early 1962, our advice was to sell on strength Today, our advice is to forget about the averages and buy selected issues during periods of price weakness in 1963.

EDMUND W. TABELL
WALSTON & CO. INC.

Dow-Jones Ind. 672.43
Dow-Jones Rails 151.04

The groups are as follows:

"Early Peak" stocks

Allied Chemical	Standard Oil of California
Alum. Co. of Amer.	Standard Oil of New Jersey
Anaconda	Swift & Co.
Chrysler	Union Carbide
International Paper	United Aircraft

"Middle Peak" Stocks

Bethlehem Steel	Goodyear Tire
Du Pont	Owens Illinois Glass
Eastman Kodak	Texaco, Inc.
General Electric	U. S. Steel
General Motors	Westinghouse Electric

"Late Peak" Stocks

American Can	International Nickel
American Tel & Tel	Johns Manville
American Tobacco	Procter & Gamble
General Foods	Sears Roebuck
International Harvester	Woolworth

"1960 Low" Stocks

American Tel & Tel	International Harvester
American Can	Standard Oil of California
Chrysler	Standard Oil of New Jersey
Du Pont	Texaco, Inc.
General Motors	United Aircraft

"Weak" Stocks

American Tel & Tel	International Paper
Anaconda	Johns Manville
Bethlehem Steel	Owens Illinois Glass
General Foods	Procter & Gamble
Goodyear Tire	U. S. Steel