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TABELL'S MARKET LETTER

June 14, 1963

It would be a pity to allow the month of June to go by without noting the fact that we are approaching the anniversary of the 1962 market low of 524.55, and the culmination of the selling debacle which swept the financial community in the Spring of 1962. Wall Street is, of necessity, orientated toward the future, and the memory of the past is short. Yet, it is barely a year ago that many investors watched the ticker run until 8 o'clock in the evening as the speculative frenzy of 1961 came to its inevitable end in a wild rush to sell equities at sharply depressed prices.

About the last thing that anybody in the financial community expected in June, 1962, was that within a year the Dow-Jones Industrial average would have wiped out almost all of its loss. Certainly, this letter claims credit for no such prescience. By late June, 1962, however, the panic nature of the decline became so evident that we resorted to the rather unusual step of enclosing a memorandum to investors which was mailed along with June statements to every Walston & Co. Inc. account. In that memo we said "For the long term investor, the investment odds are more favorable at the moment than for some time. . . . . The averages . . . . . are at a very strong support zone in the 525-450 area, (and) the downside risk appears to be relatively small as compared to the possible upside potential over the next several years".

We said - "If the investor is interested in long term growth, the decline has brought a number of excellent quality growth issues down to near or below the average price to earnings ratios of the past ten years. At the recent lows, International Business Machine, Corning Glass, Minnesota Mining & Manufacturing, Minneapolis Honeywell and DuPont, fall into this category." These five stocks have advanced an average of 44% since that time.

The memorandum then pointed out that investors interested in income could obtain a 5% or better yield on stocks of the quality of General Motors, Standard Oil of New Jersey, International Harvester, American Can and Allied Chemical. Today, 5% yields are considerably harder to come by and the five stocks mentioned have advanced an average of 36% from their prices of a year ago.

"In the businessman's risk category", the memo stated, "issues like International Minerals & Chemical, Cluett Peabody, Chrysler, Kerr-McGee and Diamond National appear most attractive for long term capital appreciation." These five issues have advanced an average of 77%, including a 211% advance in Chrysler.

Yet, despite the sharply deflated prices that prevailed a year ago, the advance has been, in the old cliche, a market of stocks rather than a stock market. It is not at all difficult in searching through the stock list to find issues even today that are selling for less than they sold for last June. As this letter pointed out all through the Summer of 1962, in order to participate in the 1962-63 rise, it was necessary for the investor to upgrade his portfolio and to switch out of second and third rate growth issues into the institutional quality stocks that were to be the leaders of the advance.

It is here, perhaps, that one finds the relevance of the 1962 break for the investor in June of 1963. The first half of 1962 was perhaps the only period in recent market history where the wisest course of action was to be out of the stock market entirely. The reason for the sharp advance in the issues mentioned above is the fact that the market break brought perfectly sound, high quality stocks down to bargain levels. Since that time, reason, as it ultimately must, has prevailed and the blue chips which had no real reason to decline in the first place have advanced sharply, many of them to new highs. Those stocks that were blatantly overpriced in the first place, have done nothing.

The point is that something like the 1962 break occurs once in a generation. Certainly, after the sharp rise of the past year, it is unlikely that the averages will achieve a percentage advance equal to that of 1962-63. However, whatever the averages do, it is quite certain that all stocks will not move in the same direction as they did in the market of a year ago. For 1963, it will be far more important to select individual stocks with good fundamental and technical backgrounds than to guess the probable action of the general market.

Dow-Jones Ind. 722.03
Dow-Jones Rails 169.79

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