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TABELL'S MARKET LETTER

June 21, 1963

The market, as measured by the Dow-Jones Industrial average, has held in an unusually narrow range for almost two months. Early in April, the Industrial average pushed above the 700 level and reached an intra-day high of 724.69 early in May. Since that time, the intra-day range has been between a high of 732.97 and a low of 708.16. This is the equivalent of a two-month trading area between $73 \frac{1}{4}$ and $70 \frac{7}{8}$ in an individual stock. There have been several attempts to break out of this area, but the buying or selling in each instance failed to follow through.

Obviously, this area will be eventually penetrated. An upside penetration would indicate a possible 750. A downside penetration would indicate a possible 690-675. Shorter term breadth action is not too clear, but the probabilities appear to favor a downside penetration.

In any event, no move of any great significance is indicated in either direction and, as noted many times recently in this letter, the market is in a stage where the action of individual issues is vastly more important than that of the averages. At the start of the year, it was the opinion of this letter that 1963 would be an inside year as far as the averages were concerned and that the averages would not move above the 1961 high or below the 1962 low. This still remains our opinion despite the fact that we could envision a modest new high in the Industrial average above the 1961 peak of 741.30. This would, in our opinion, be of no great technical significance.

Just a little over a year ago after the Industrial average had reached a low of 553.75, our letter of June 1st, 1962 said -

"Over the longer term, we envision a lengthy trading area that may last into 1964 - 1965. It may be very similar to the 1946-1949 period. In 1946, the Dow-Jones Industrials declined 25% from 213 to 160 and then held in a range between 160 and 195 until late 1949. Translating this into the present market would result in a trading range between 553 and 675 until some time in 1965. Obviously, this is only a broad outline. The timing and the scope could be quite different than in the earlier period. There is much more investment interest in the market today than in 1946-1949, and it is entirely probable that the trading area will be broader. If we are in error, it will probably be on the upside of the range. The average may return to the 700-750 level. On the downside, we find it difficult to envision the average declining below the 1956-1957 high of 525.* In fact, we doubt if the Industrial average will sell much below 500 in the lifetime of anyone reading this letter."

Just like 1946-1949, we believe the eventual breakout of this long trading area will be on the upside, but the upside potential will not be ascertainable until the pattern is completed. It will be substantially above the 1961 high. These long range accumulation patterns usually require considerable patience and are difficult to recognize while they are taking place because different stocks are at different stages of the pattern. The international oils, for example, reached their highs in 1957-1959, rather than in 1961, and the lows in 1960, not 1962. Their long term base patterns are probably completed. They will, of course, have technical corrections, but if every stock in the Dow-Jones Industrial average had the same long-term pattern as the international oils, the long-term upside potential for the Industrial average would be in the 1200-1400 area. Other issues are still in the early stages of development. The stocks that are in a more advanced stage of the accumulation pattern will be found in the stocks that in 1962, did not break the 1960 lows. See our letter of May 3rd and the four-page list of stocks that held above their 1960 lows.

Diverse action will continue. Three issues in our recommended list reached the upside potential noted in our list of June 4th and are removed from the list. They are International Tel & Tel in the Price Appreciation list, and Chicago & North West Railway and Seaboard Finance in the Low-Priced Speculative Group. There are quite a few issues that we would like to add to our recommended list on moderate weakness. A list of these stocks will be given shortly.

* The subsequent intra-day low at the end of June, 1962 was 524.55.

Dow-Jones Ind. 720.78
Dow-Jones Rails 174.00

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