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TABELL'S MARKET LETTER

July 12, 1963

The market appears to be in the process of testing the July 1st low of 698.06 on the Dow-Jones Industrials. The holiday week rally topped out at 719.02 last Friday, and the market drifted lower during most of the past week. Friday's intra-day low was 705.21. The decline has been selective with a fairly large number of new highs for the year reached on each day, despite a decline in the averages. Most of our short term technical work indicates the probability that the July 1st low will not hold. The downside potential of the May-June top of 685-675 was possibly broadened a bit by the retracement to 719.02 and the downside potential is now indicated as a possible 685-665. A decline to the lower part of this range would be approximately a one-third correction of the advance from the Cuban crisis low of 549.65 of last October. This would be a normal technical retracement. If such a decline occurred, it would place the market in an oversold position and would present, in our opinion, a worthwhile buying opportunity.

The shorter-term technical pattern has been slowly deteriorating since early June, but the longer term pattern remains favorable. It has been the contention of this letter that the market is in the process of a broad reaccumulation area that will eventually result in a much higher level of prices. These long term accumulation patterns are extremely trying on the patience. They consist of a series of up and down price movements during which stocks slowly pass from weaker into stronger hands. All of this requires time as witness the 1946-1949 accumulation base which was the foundation for the 1949 to 1961 bull market. The basic investment policy during such long term accumulation should be to buy on weakness just as selling on strength should have been the basic investment policy in the 1961 - 1962 distributional market.

The action of our long term breadth index at the moment is quite interesting as compared to its action in the 1961-1962 market prior to the crash. In April of 1961, the Dow-Jones Industrials reached a new high of 714.69 and, at the same time, the breadth index also reached a new high. The industrial average continued to advance to an ultimate high of 741.30 in December, 1961, but the breadth index failed to better its April high. This divergence was one of the factors that made this letter turn extremely bearish in August of 1961 and suggest a policy of selling on strength. In the present market, there is no resemblance to the pattern noted above. There has been no divergence between the action of the averages and the breadth index. They are both moving up and down together. It is true, of course, that such a divergence may occur at a later date, but in such an event, plenty of warning would be given. In most cases in the past, the divergence has occurred several months before the market averages reach their high.

If the market declines to the 685-665 area, we believe it should be welcomed as a buying opportunity. In last week's letter we mentioned twenty stocks that we would add to our recommended list during periods of market weakness and indicated possible buying ranges.

In our recommended list, there are a sizable number of issues in which we would add to holdings in the event of a price decline. In stocks mainly for long term capital gains we would suggest the following.

Stock	Buying Range	Stock	Buying Range
Air Products (62 5/8)	60-55	Fruehauf Corp. (28 7/8)	29-27
Cluett Peabody (48 1/4)	45-43	Intern'l Minerals (54 1/8)	50-48
Copper Range (21 3/8)	20-18	McDermott, J. R. (24 1/2)	24-23
Disney (Walt) (39 5/8)	37-35	Reynolds Metals (33 5/8)	31-29
First Charter Fin. (40 1/4)	38-36	U. S. Plywood (56 7/8)	52-50

EDMUND W. TABELL
WALSTON & CO. INC.

Dow-Jones Ind. 707.70
Dow-Jones Rails 174.00