

# Walston & Co. Inc.

Members New York Stock Exchange

NEW YORK • SAN FRANCISCO • LOS ANGELES • PHILADELPHIA • CHICAGO

OFFICES COAST TO COAST AND OVERSEAS

## TABELL'S MARKET LETTER

August 21, 1964

There would not be much reason to be excited about the price action of a stock that has been fluctuating between 85 1/2 and 79 3/4 for the past six months. That is what the Dow-Jones Industrial Average has been doing percentagewise since late February. Furthermore, the amount of fluctuation within the trading area has been so small that neither a sizable potential top pattern nor a sizable potential base pattern has been formed. Probably the market will continue to hold within the rough confines of the 850-800 range for the foreseeable future. Volume indications point in this direction. In recent weeks, total volume has declined quite sharply with most of the decline brought about by lowered buying power rather than any sharp increase in selling pressure. On our graphs of total volume of trading on the New York Stock Exchange for the past thirty-five trading days, the upside volume has dropped 26,756,000 shares while the downside volume has increased only 352,000 shares. This is a rough estimate based on the percentage of advancing and declining stocks on each day of trading. It obviously denotes uncertainty and a lack of buying interest despite a rising earnings pattern in most companies and a fundamentally sound economic background. The present market appears to be dominated by emotional factors rather than fundamentals. This is not unusual. In the past, the market has probably moved contrary to the immediate trend of earnings 65% of the time.

Despite the sidewise movement of the averages, there have been many price moves of importance in individual stocks and groups in both directions. The airlines are a case in point. Readers of this letter will recall that this group was one of our favorites at the 1962 lows. As noted in the table below, the airlines had a tremendous rise in a period of less than two years. Western Airlines showed a 529% advance from the 1962 low of roughly 7 to the high of 44 reached in April of this year. Of the nine stocks in the table, Eastern Airlines had the smallest percentage advance at 169%. The average advance was 357% as compared with a rise of 63% in the Dow-Jones Industrial Average during the same time period.

	1962 Low	1964 High	Points Adv.	1/3 to 1/2 Retrace.	Close 8/21/64
American Airlines	16	50	34	39 - 33	43 3/4
Delta Airlines	20	103	83	79 - 61	77 5/8
Eastern Airlines	16	43	27	34 - 29	28 1/4
National Airlines	12	55	43	41 - 33	51 1/4
Northwest Airlines	12	61	49	45 - 36	54 1/8
Pan Amer. World	8	42	34	31 - 25	31 3/4
Trans World Air.	8	48	40	35 - 28	40 1/4
United Airlines	22	65	43	51 - 43	49
Western Airlines	7	44	37	32 - 26	35

Most of these stocks reached their 1964 highs in April of this year. At that level, most issues had reached the upside potentials of the bases formed in the 1960-1962 period and appeared in need of a technical correction and a consolidating period before the long term advance was resumed. It was our thought that a one-third to one-half correction of the advance from the 1962 lows to the 1964 highs, followed by a consolidation period, was the probable price pattern. This would be normal technical procedure in a group that probably was temporarily overbought, despite a most favorable long term outlook. In the table above, which is adjusted for stock splits and stock dividends, several of the issues are approaching the point of normal correction and should be watched closely for long term buying opportunities. The downside potentials of the technical patterns formed since April are very close to the one-third to one-half retracement figures noted above. It is interesting to note that sharp declines of 20% and more in this group have had no effect on the general market pattern. This continues to point up our market thought that the action of individual stocks bears little relationship to the price action of the averages.

In our recommended list, this letter attempts to pick out individual situations that will show above average market action and to take profits at the appropriate time. We suggest the sale of Pure Oil (60) which was recommended in the 40-38 range late in 1963. There have been two offers to buy this issue at 60 and 65. It may move moderately higher, but we suggest a switch into Shell Oil (47 3/4) which we will review in detail in a later letter.

Dow-Jones Ind. 838.62  
Dow-Jones Rails 211.38

EDMUND W. TABELL  
WALSTON & CO. INC.

This market letter is not, and under no circumstances is to be construed as, an offer to sell or a solicitation to buy any securities referred to herein. The information contained herein is not guaranteed as to accuracy or completeness and the furnishing thereof is not, and under no circumstances is to be construed as, a representation by Walston & Co., Inc. All expressions of opinion are subject to change without notice. Walston & Co., Inc. and Officers, Directors, Stockholders and Employees thereof, purchase, sell and may have an interest in the securities mentioned herein. This market letter is intended and presented merely as a general, informal commentary on day to day market news and not as a complete analysis. Additional information with respect to any securities referred to herein will be furnished upon request.