

# Walston & Co. Inc.

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## TABELL'S MARKET LETTER

November 6, 1964

As expected, Johnson's landslide victory had already been discounted in the market pattern and, after a mild advance on Wednesday morning, the market resumed the selective price action that has been the predominating feature since mid-September. The rise from the July-August lows has failed to attract a renewed buying interest which is the needed requisite for a broad advance. The market appears tired and in need of corrective action. As noted before, however, no sizable potential distributional tops have been formed as yet and any decline from present levels would meet support in the 860-840 area.

Our long term pattern remains the same. We believe the market is in a broad reac-cumulation area as far as most stocks are concerned and that the market will reach much higher levels in the later part of the 1960's. We do not feel, however, that such a broad advance is going to occur immediately. Probably a continued period of selective price action is in the offing with the averages moving back and forth in a relatively wide trading area, and individual stocks at times moving in a contrary direction to the general market. This actually has been the pattern since 1962. While the Dow-Jones Industrial Average has reached new high territory this year at 886.28 as compared to the 1961 high of 741.30, this is not true of the general run of stocks. We recently compiled a survey of the price action of 1,390 stocks published in one of the more popular chart services. Of these 1,390 stocks, it was interesting to note that 867 or 62.4% have never, to date, exceeded the highs reached in the period between 1955 and early 1962, or for a period extending back from over two years ago to over eight years ago. In fact, the action of the thirty stocks in the Dow-Jones Industrial Average has also been extremely selective despite the new highs in the average. As of October 31st, only twelve of the thirty stocks had reached new high territory above the highs reached in 1955 to 1961. Eighteen of the thirty, or 60%, are still selling below the highs reached from two to over eight years ago, despite the new high in the average itself.

Thus, despite the advance in the averages, we feel that the great majority of stocks are selling within the range in which they have held for the past several years. From a technical viewpoint, this indicates that a great many stocks appear to be in broad accumulation areas that could result in much higher levels at a later date. However, more backing and filling is indicated before the market advances on a broad scale. During this period, the action of individual stocks will continue to be of more importance than the action of the averages.

In reviewing the stocks in our recommended list, we find a number that are continuing to indicate favorable action, and a relatively few that appear to have reached close to upside potentials or are losing momentum. Our recommended list is not designed for long term investment, but rather for capital appreciation over a period of at least six months to several years. We drop issues or add new ones as the occasion warrants. We are dropping three issues from our list this week. One is in the quality and long term growth area. It is Standard Oil of New Jersey (89 1/2) which entered our list in June, 1962. This stock is undoubtedly an excellent long term investment holding, but is probably about high enough for the present. We have several other oils on our list which we are continuing to hold. We are taking profits on Pennsylvania R. R. (41 3/4) which entered our list in August, 1963. The stock is, from a technical viewpoint, quite close to its 45 upside potential. We are also dropping Consolidation Coal (51) which was recommended in mid-1962. Relative strength action has recently been below average. New recommendations will be suggested shortly.

Among the issues now in our recommended list, the following have been showing above average action and could be added to on periods of market decline. In the price appreciation sector of our list are included: Beaunit Mills (35 3/4), Crowell Collier (23 1/4), Korvette (42), Metromedia (41 5/8), Riegel Paper (42 3/4), Shell Oil (58 1/4), J. P. Stevens (47 5/8), and Vornado (34 1/2). In the low-priced speculative list we would include Hewlett-Packard (20 3/8), Mohasco (14 5/8), Universal Match (14 1/2) and Vulcan Materials (17 3/4).

The complete new recommended list will be issued shortly.

EDMUND W. TABELL  
WALSTON & CO. INC.

Dow-Jones Ind. 876.87  
Dow-Jones Rails 219.10