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## TABELL'S MARKET LETTER

August 30, 1965

Trading volume totals present a rather interesting technical study at the moment. In our letter of August 2nd we mentioned the upside and downside volume figures computed by Scantlin Electronics. These figures show the total daily volume of trading on upticks against the volume on downticks of all stocks listed on the New York Stock Exchange. We, in our technical work, adjust these figures to 35-day moving totals. At the June low, the total downside volume for the past 35 trading days reached a high total of 101 million shares. This downside volume total recently dropped down to a low total of 53 million shares. This is the lowest level in over a year. To us, this indicates a definite drying up of liquidation. However, up until now, there has been no comparable increase in upside volume. Upside volume on a 35-day moving total has increased from a low total of 66 million shares at the June low to a total of only 80 million shares as of Thursday. This is well below the high total of 106 million shares of upside volume reached in March. It would appear that the advance from the June intra-day low of 832.74 to Friday's intra-day high of 901.88 has been brought about by a cessation of liquidating pressure rather than by a substantial renewed buying interest.

The figures noted above relate to the volume of all stocks traded on the New York Stock Exchange. While 35-day upside volume has lagged, it is substantially above 35-day downside volume. In addition, we also compile 35-day trading volume totals on the Dow-Jones Industrial Average. While downside volume of these 30 market leaders has also dropped sharply, the upside volume has shown even less increase than the totals mentioned in the first paragraph. This indicates that the general market has been acting better than the investment stocks in the averages. This is borne out by our breadth index, and further substantiated by the number of new highs reached since the June low. Since July 1st, 216 stocks have reached new high territory for the year. Of this total, only five are components of the Dow-Jones Industrial Average. Three of these, American Can, Eastman Kodak and United Aircraft, reached new high territory by a fairly substantial margin. American Tobacco and Westinghouse Electric reached a fractional new high.

The leadership of the advance from the June lows has been furnished by stocks not in the Dow-Jones Industrial Average. The investment issues have been laggards. Many of the recent leaders have been growth stocks that were overexploited in the 1960-1961 advance and declined sharply in 1962. Up until now, they have done little marketwise since the 1962 lows. Those issues that have retained their long term growth potential have built up substantial potential base patterns over the past three years and have broken out of the patterns on the upside. The advance has been steep in many instances, and probably some consolidation is needed somewhere along the line. The failure of the investment issues to participate in the earlier stages of an intermediate term advance after a steep decline is not an unusual technical phenomenon, particularly when the market is probably in the later stages of a long term advance. An intermediate term advance of the present nature usually tops out with an advance in the better-grade issues while the more speculative leaders go through a topping out process. We would expect the investment issues to show greater strength over the near future with the Dow-Jones Industrials reaching at least the 910-915 area, and possibly higher. We have not changed our long term opinion. We continue to expect a wide trading area for the foreseeable future. We considered the 850-820 level as a buying range and would be inclined to lighten positions on further strength. However, we would wait until some signs of technical deterioration appear. This has not yet occurred.

The stocks in our recommended list have probably shown above-average action. Quite a few issues in the list have recently reached new high territory for the year. Included in this group are: American Can, Cenco Instruments, Cluett Peabody, Crowell Collier, Litton Industries, Microwave Associates, National Can, Perkin-Elmer, Radio Corporation, Raytheon, Reynolds Tobacco, Shell Oil, Spartans Industries, J. P. Stevens, Sundstrand, Swingline and Varian Associates. Storer Broadcasting was recently dropped from the list at 66.

We also have our quota of backward issues and the following switches are suggested: Clark Equipment (45 1/4) into Clevite (44 3/8), Lykes Bros. (20 3/8) into First Charter Financial (22 7/8) or United Fruit (20 1/2), Metromedia (35 3/8) into Korvette (32 5/8), North American Car (27 1/4) into Signode Corp. (29 1/2).

Dow-Jones Ind. 895.96  
Dow-Jones Rails 219.18

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