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TABELL'S MARKET LETTER

November 1, 1965

Most major market indices continued their surge into new high territory last week after weakness on Monday which saw the Dow-Jones Industrials close off 4.28 and reach an intra-day low of 944.30. The rest of the week was strong and an intra-day high of 966.47 was reached on Friday.

The Rails, while following the action of the Industrials, failed to follow through into new high ground and last week's intra-day peak of 238.05 was below the high of 238.70 reached last Friday. The Utilities also continued the irregular trend which has characterized their action since mid-September.

Despite the market strength, there are, from a technical point of view, a number of negative items in the picture and these should, at least, be noted. These items may be summed up as follows.

At this week's high, the Dow has, apparently, reached all upside objectives. The same is true of a great many individual stocks including many of those that have heretofore been market leaders. It should be noted that reaching an objective is not the same thing as forming a top. The former simply indicates that a new pattern must form before it is possible to project a major price change one way or the other. The latter indicates some degree of vulnerability, and it is significant that most stocks which have reached objectives have only formed the tentative beginnings of potential top formations.

As the market moved ahead to new highs this week, volume was sharply reduced. Volume for the week was 35,980,000 shares vs. over 43 million shares last week and 44 million the week before. Thus, some loss of momentum appears indicated.

Perhaps the most important negative feature has been the continued deterioration of market breadth. The market has now posted a new closing high in 13 consecutive weeks and it is 5 weeks since the May intra-day high of 944 was equalled. Yet, in all this time, our longer term weekly breadth index has failed to confirm the new high in the Average. On a shorter term basis our daily breadth index has actually been in a slight downtrend since mid-October, despite repeated new highs in the Dow.

Up until last week, at least, the most widely noted negative factor was the poor character of market leadership and the fact that there was obvious heavy speculation going on in a number of so-called glamor issues. This factor has led a number of analysts publicly to compare the present market with the speculative binge of 1961. This, of course, is ridiculous. It is quite true that, until a week ago, a great deal of market activity centered on growth favorites, many of which were selling at high levels based on recent earnings. However, to compare this activity with the level of speculative frenzy and over-valuation that existed in 1961 is clearly unrealistic. What is worthy of note is that the market leadership may very well be slowly changing. In this connection, the following table is of interest. It shows the prices of five major market favorites and five investment quality issues at their highs of a week ago, at this week's low, and at Friday's close. It will be noted that despite the Dow rallies into new high ground, the five "glamor" issues have failed to achieve new high territory while the investment issues have, by and large, shown similar performance as the Dow.

	High 10/22/65	Low 10/25-29/65	Close 10/29/65		High 10/22/65	Low 10/25-29/65	Close 10/29/65
Fairchild C.	143 7/8	115 1/2	122 1/4	Amer. Tob.	41 1/4	40 3/8	41 5/8
Nat'l Video	145	96	114 1/4	Alum. Amer.	70 5/8	70 1/2	73 3/8
Syntex	136 7/8	119 1/8	130 1/2	Minn. Mining	61 1/4	60 1/8	62 3/4
Litton	121 7/8	113 1/2	116 7/8	Honeywell	75	73 7/8	76 3/4
Magnavox	70 1/4	65 5/8	69 1/8	Std. of Calif.	77 7/8	77 1/4	77 3/4

It is obviously too early to state that a shift in leadership in the direction of blue chip issues has occurred, but such a development would hardly be abnormal at this stage of the market. Certainly it would seem appropriate for many investors to consider upgrading the quality of some of their holdings in order to improve market performance in the months ahead.

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Dow-Jones Ind. 960.82
 Dow-Jones Rails 235.86