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TABELL'S MARKET LETTER

March 17, 1967

Most market indicators moved forward into new high territory for 1967 during the past week. The Dow-Jones Industrials rested on the first two days of trading after the astounding performance of last Friday when almost 15,000,000 shares changed hands, a large part of the volume coming in the early morning advance. On Wednesday and Thursday, however, broad rallies took place and in the process a new intra-day high of 876.50 was reached. The current move, of course, constitutes the second attempt on the part of the Average to move into the overhead supply area at 860-900, which turned back the advance in early February.

The Dow, of course, is the only major average that has not yet successfully breached this supply. The Standard & Poor's 500-Stock Index, for example, has comparable supply in the 84-88 area, and Thursday's high was 90.66. Other indices, such as the Standard & Poor's 425 Industrials and the Dow-Jones Rails, have all successfully breached the overhead supply areas.

Actually, it is interesting to compare the action of the Standard & Poor's 500 with that of the Dow Industrials. The 1966 high on the former index was 94.72, and the 1966 low 72.28, for a loss of 22.44 points. At the Thursday high it had recovered 18.38 points or 82% of the loss. If the Dow had recovered 82% of the 265 points it lost between February and October, it would now be at 952.

What all this reflects, of course, is the fact that the high quality stocks which comprise the Dow have rebounded somewhat less, so far, than have the great majority of issues. There is, however, some evidence that this too may be changing, with improved relative action on the part of a number of better quality issues this week. The possibility of higher quality leadership at this point, it seems to us, is a real one. If we are willing to postulate a further extension of the uptrend, it is quite obvious that the leadership must come from somewhere. Furthermore, in technical terms, it is axiomatic that most issues move ahead only after forming broad bases, or sideways trading ranges before starting their advance. It thus becomes logical to look for market leadership on the part of a great many issues that, essentially, moved sideways in broad trading ranges during 1962-66.

A shift in market leadership to new groups would be entirely consistent with a pattern that had obtained for the past eleven years. Ever since 1956, we have had markets in which some groups were in long-term uptrends and others in long-term downtrends all at the same time. We have long felt that this pattern would continue for the foreseeable future. Another argument for leadership on the part of blue chip stocks is the fact that it is in this area where the decline in price earnings ratios since 1961 has been most marked. This, of course, is a process which must ultimately reverse itself.

In line with this thinking, we are adding a number of stocks to our recommended list, effective this week: Colgate-Palmolive (29 3/4), Continental Insurance (79 3/8), Continental Oil (68 3/4) and Phillips Petroleum (55) have all to date been relatively neglected high-quality issues. All have attractive technical patterns and are being added to the Quality & Long-Term Growth section of our Recommended List. In addition, we are adding Adams-Millis (22), Commonwealth Oil Refining (26 3/8), Dresser (32 1/2), Great Northern Paper (37 3/4), Mead Johnson (29 1/2) and Tektronix, Inc. (40 1/8) to the Price Appreciation section of our Recommended List. To the Speculative Price Appreciation section of the Recommended List we are adding Syntex (93 1/8). We are including it in this section largely due to the stock's high price in relation to earnings and its characteristic high volatility. We nonetheless feel that the attractive technical pattern, plus good prospects for earnings gain in the years ahead, make it worthy for consideration in high risk accounts.

All of the above issues will be reviewed in subsequent issues of this letter.

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Dow-Jones Ind. - 869.77
Dow-Jones Rails - 235.17

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