FILE

Walston & Co.
Inc.

Members New York Stock Exchange
and Other Principal Stock and Commodity Exchanges
OVER 100 OFFICES COAST TO COAST AND OVERSEAS

TABELL'S MARKET LETTER July 19, 1968

A certain malaise exists on the current stock market scene --- a malaise which is awfully difficult to define in statistical form. Certainly, by no stretch of the imagination was the market's performance over the past week all that bad. The Dow-Jones Industrials lost a total of 8.48 points in the four days of trading - hardly enough to cause more than a flyspeck on a chart. The Rail average at the week's close is lower than it has been since the end of May, but is, on the other hand, almost 20% above its mid-March levels. The Utilities, meanwhile, have moved sideways since the latter part of last month.

What about the averages being unrepresentative of the market? Again, the argument is hard to document. Advances exceeded declines on all four days of the week, but still a respectable number of stocks chalked up plus signs on each day. Indeed, Thursday's trading saw 98 new highs for the year achieved - a statistic which, while hardly record-setting, is moderately impressive.

Why, then, does the market not seem to be acting the way it should? Actually, a number of answers to this question present themselves. The first is, of course, that the market is not, in fact, acting as well as it was. Still engraved on our memory is the momentous advance that took place last April and which carried on with only moderated vigor into mid-June. Even fresher in most investors' minds is the sharp run-up which carried most of the broad-based indices into new high territory in the early part of July. Compared with these past periods the market is, indeed, not acting well.

Another fundamental reason for the malaise is the kind of stock that is moving today -- both up and down. We are not, personally, enamoured of the familiar tendency to divide the market into "blue chips" and "glamour" issues, but, to the extent that such a generalization can be made, it is true that over the past weeks glamour issues have borne the brunt of the correction whereas a goodly number of blue chips have actually moved ahead. As good a capsule description as any of the present market is to note that Standard Oil of New Jersey, which traded at 67 in late June, reached 80; and Occidental Petroleum, which had been at 55, sold at 46. This phenomenon may well be responsible for a large part of the uneasiness produced by watching the stock market of late. The glamour stock era is an old one by now -- old enough to have fixed the habits of many investors. The active trader of today long ago disposed of his Jersey and went off to seek more interesting vehicles for speculation. The recent strength in high-quality, moderate-growth companies can only be of academic interest to the large class of investors whose natural tipple is a headier wine.

What of the future? Is the recent leadership on the part of highgrade issues likely to continue? The answer is, we think, generally, yes. We have repeated, ad nauseam, in this space the contention that such a shift in leadership is, essentially, necessary to a continued favorable investment climate. The highgrade area remains the one great field of relatively unworked ground left in today's stock market.

A few thoughts on the type of investment climate such leadership is likely to produce are in order. The one obvious conclusion is that the game of "beat the Dow" may be more difficult. If indeed, it is the stocks actually in the Dow which are furnishing the momentum for an advance, the Dow will be outperforming the market instead of vice versa -- an interesting change from the climate of the past three to four years. It may also produce a climate where the investor must be satisfied with more modest exactions. Highgrade issues may well advance, as many have, but it will be difficult for them to produce the explosive sort of rise that has characterized the more volatile leaders of the past.

If, indeed, the trend does continue, investment policy, we think, should concentrate neither on applauding or deploring the fact, but should simply recognize its existence. Aggressive investment has been described as "going where the action is". If the action is in new and unfamiliar areas, the investor should indeed take his funds there with the utmost dispatch.

NOTE: Four issues are being removed from our Recommended List this week. We are suggesting acceptance of profits in Gillette and Revlon, and are removing Allegheny Ludlum Steel and Dentists' Supply due to disappointment with recent technical action.

Dow-Jones Ind. 913.92
Dow-Jones Rails 257.80

ANTHONY W. TABELL
WALSTON & CO. INC.

AWT:amb