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**

September 27, 1968

Market strength continued this week with the Dow-Jones Industrials posting a new 1968 high, and the Standard & Poor's 425-Stock index an all-time high. Both the Standard & Poor's "500", and the New York Stock Exchange indices were a few cents away from all-time peaks. The phrase "bull market" appears more and more appropriate to describe the action since April 1st.

If a bull market is, indeed, what we are looking at, the job of the technician then is to inspect the vitality of the market as it moves ahead. So far, the verdict must be a relatively clean bill of health.

Two of the most important factors to watch as an upswing progresses are breadth and volume, and it is worthwhile at this point to examine these both in detail. Market breadth, of course, refers to the number of stocks advancing and declining and these figures can be manipulated in any number of ways. The most common form of manipulation is to construct a "breadth index" and to observe its action vis-a-vis that of the popular averages. There are various ways of constructing such an index and either daily figures or weekly figures can be used. These niceties of construction often lend themselves to differences in interpretation.

For example, most indices based on weekly breadth have continued to confirm new highs in the averages throughout 1968. It is, furthermore, a strong probability (figures are not yet available) that the new high in the Dow of this week will be confirmed by the week's advance/decline figures. Weekly breadth figures, in other words, are perfectly consistent with an ongoing bull market.

Daily figures, on the other hand, have, throughout the Summer, generally failed to confirm the new highs in the Dow, thus allowing some technicians to argue that underlying deterioration has been exhibited. Were this condition to persist, it would, indeed, be disturbing. However, anyone who has worked closely with daily advance/decline figures over a period of years, realizes that a downward bias in these figures exists and that a confirmation of any upmove by daily breadth often takes place many days after the fact. The most recent example was the Spring of 1964 when a new high in the Dow was followed by a new high in breadth, but with a delay of some three months. An unbiased reading, it seems to us, therefore, would have to consider the present breadth picture as, at worst, neutral, and at best, favorable.

Volume figures, at the moment, also lend themselves to some ambiguity of interpretation. Generally, the complication here is, of course, the four-day weeks which have prevailed throughout the Summer. Average daily volume is close to record levels, basically, a constructive factor, but there has recently been a tendency for weekly volume to tail off as trading has been restricted. However, even this deterioration cannot, it seems to us, be considered serious enough to warrant a pessimistic interpretation at this stage. In summary, therefore, we think the present advance is exhibiting the normal vitality consistent with a continued upswing.

All this is borne out, it seems to us, by an inspection of the technical patterns of some 2000 listed common stocks. By and large, these patterns are highly constructive. In only a tiny minority of issues is there at the moment any evidence of major distribution. A significant number of technical patterns at the moment, in fact, have a clearly bullish configuration, and the great majority are, at worst, neutral with, at least, potentials for ultimately higher prices.

Translating this into terms of the Dow-Jones Industrials, it seems, therefore, reasonably likely that new high territory should be seen before too long -- perhaps by a significant margin. One possible upside objective for the Dow is 1300, and this figure should hardly be startling. Indeed, based on the mathematics of the Dow's construction, it could be achieved by an average move of only 23 points in the 30 Dow stocks. -- hardly an earth-shaking possibility.

It is, however, unnecessary to think in this stage of upside targets. If market deterioration occurs at some later stage, we can only attempt to recognize it and act accordingly. Until such deterioration does, in fact, occur, we prefer to continue to think in terms of a fully invested position with concentration on high-grade issues of the type emphasized by this letter over the past year.

ANTHONY W. TABELL
WALSTON & CO. INC.

Dow-Jones Ind. - 933.80
Dow-Jones Rails - 266.08



AWT:amb

WN-801