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TABELL'S MARKET LETTER

November 1, 1968

The stock market demonstrated last week the essential truth behind every cliché by once more refusing to discount the same thing twice. Between mid-August and mid-October, the Dow had scored a 100-point straight-line advance based largely on the prospects of an imminent cessation of the Vietnam bombing. On Thursday, when the knowledge of the bombing halt first became widespread, the market rallied feebly in the morning and was barely able to hold its gains. On Friday, following the President's actual announcement, the Average actually wound up off 3.98 points on the day.

~~From a technical point of view, this is all to the good. The sharp two-month rise obviously requires some consolidation, and the sooner we get this necessary process over with, the sooner the upswing can be resumed. At the moment, the distributional formation is sufficient to indicate a dip close to the 930-920 support level in the Dow. This would fit in with the normal post-election pattern and the subsequent year-end rally which might carry from the support level mentioned above to new highs around the turn of the year.~~

So far, as noted, the typical election year pattern has held good in 1968. It was pointed out in this letter last July that there was a strong tendency in such years toward a strong second half. This tendency has prevailed again this year despite the many unusual factors peculiar to the 1968 Presidential balloting. It is these unusual factors, as has been repeatedly noted, that make this year's election a difficult one to forecast. The argument in favor of a Nixon victory is, on the face of it, a strong one. A recent tabulation showed Mr. Nixon leading in 34 States with a total of 348 electoral votes -- 78 more than needed for victory. Seven States with 46 votes leaned toward Humphrey, 6 States with 53 votes toward Wallace, and 4 States (including New York) were too close to call.

The Nixon case is thus persuasive. Picking up any of the doubtful States, plus simply holding his own, he is the victor by landslide proportions. And yet, not too much is required to change the result. Republican hopes center on 5 major States with large electoral vote totals -- California, Pennsylvania, Illinois, Ohio and Texas. Were the G. O. P., for example, not to gain any of the doubtful or Wallace States, and lose any 3 of the above 5, Mr. Nixon's majority would disappear. And Mr. Humphrey -- despite the fact that the above tabulation shows him third in electoral votes, could win by picking up the 4 doubtful States, plus the 5 large industrial States mentioned above.

The imponderable, of course, is the Wallace vote, --- not so much in the Southern States, where he is probably depriving Mr. Nixon of a majority, but in the Northern industrial areas. In Pennsylvania, for example, polls indicate the possibility of his receiving 500,000 votes -- this in a State which was won by just 100,000 votes in 1960. Thus, the question of whether the half-million potential Wallace voters would otherwise have voted for Nixon or Humphrey, and whether they will switch back in the privacy of the voting booth or simply stay home, becomes crucial. It is a question as yet largely unanswered.

Despite all of the above, however, we are inclined to think that Mr. Nixon's strength as shown by even the most recent polls, is insuperable. We, therefore, forecast a Nixon victory.

Having undertaken the above exercise, we confess we think it makes little difference as far as the stock market is concerned. Were Mr. Humphrey to pull off an upset, the ensuing correction would probably be a little bit deeper and faster than might otherwise be the case. In the likely event of a Nixon victory, a correction probably will also ensue -- but in somewhat milder form. The only thing that might dramatically alter the picture would be, of course, the third result -- no candidate's being able to win an electoral majority, with its attendant possibilities of a brokered electoral college or selection by the House of Representatives. Barring this eventuality, we think the market's most likely course is dictated by its own internal technical position as outlined above.

Dow-Jones Ind. 948.41
Dow-Jones Rails 265.37

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