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 May 16, 1969

The stock market extended its gains last week, although in somewhat desultory fashion and with considerably less ebullience than had been displayed in the dramatic advance a fortnight before. After early weakness, 5-point advances were chalked up on both Tuesday and Wednesday and, although the lack of any dramatic proposals in Mr. Nixon's speech caused a mild selloff on Thursday, a portion of this loss was recovered in Friday's trading. The week's high, reached on May 14th, was 974.92 in the Dow.

Much has been written in the financial press about the "surprising" nature of the stock market advance in late April and early May. Actually, there is very little very surprising about the advance. In fact, it would have been much more surprising had the market not gone up than had it behaved just exactly as it did.

Let us see if we cannot document this thesis a bit. The central fact of today's stock market is the fact that it has been in an uptrend ever since October, 1966. In an uptrend as long as this one the trend channels are quite clearly defined, and at this stage of the game it is possible to define the uptrend on the Dow with a good deal of precision. At the present time, that channel is rising at the rate of a bit more than a point a week and its center is around 955. The upper level of the channel is at 1018 and the lower level at 893. Viewed in this context, the rise is hardly surprising. At the February low of 899, the Dow had returned to the very bottom of the trading channel which had contained it for more than two years. It is a basic tenet of technical work that such a channel is more likely to hold than to be broken. In this light, the advance was hardly surprising and, indeed, in view of the limits of the channel mentioned above, a further extension of the advance would hardly be considered improbable.

So much for the comforting truism that we are still in a bull market. Assuming it is true, the inevitable corollary follows. It is, at this point, rather an old bull market. It has been going up for some 2 1/2 years now --- 626 trading days to be precise. This length of time does not constitute senility for a major upswing by any means. For comparative purposes, the previous major upswing which began in 1962 and ended in 1966 carried for 911 trading days, and the one before that, which started in 1957, managed to last for something over 1000 days prior to its demise. Nonetheless, if our bull is not senile, he is, at least approaching advanced middle age.

It is true of market upswings, just as it is of mankind, that the fullest fruits of vigor are found in the full bloom of youth. Thus, as we look back on the market history of the past few years, we find that 1967 was a rather easy year in which to make a good deal of money in stocks, and that 1968, while presenting a few more difficulties, still was conducive to rather good investment results. One would suspect that any portfolio manager, viewing 1969 to date, would hardly characterize the climate as being as conducive to huge capital gains. Despite our admittedly optimistic stance, we do not think that the investment task for the remainder of 1969 will become any easier.

What we are seeing at the moment is nothing more than the normal phenomenon which takes place in the advanced stages of any upswing. At its latter stages, any upswing tends to be supported by fewer and fewer stocks. Such is the case at the moment. Most indices of market breadth suffered severe damage in the December-January decline. Since the February bottom, breadth, while on the plus side, has been unimpressive, considered by the standards of 1967 and 1968. Again, this is a tendency we would expect to see continued.

One other characteristic of middle-aged bull markets is worthy of note. That is the damage to speculative confidence and the improved relative performance of high quality stocks, a natural concomitant of investors seeking downside protection as well as capital gains. It is the recognition of this phenomenon that has led this letter to advocate --- ad nauseam, we suspect --- the upgrading of holdings and the restricting of investment to better-grade issues which appear historically low based on earning power. Fortunately, as our Recommended List will attest, there is no dearth of such issues available.

We do not think that the party is over by any means. We are, however, inclined to believe it may be considerably less raucous.

Dow-Jones Ind. 967.30
Dow-Jones Rails 241.41

ANTHONY W. TABELL
WALSTON & CO. INC.

AWT:amb

This market letter is published for your convenience and information and is not an offer to sell or a solicitation to buy any securities discussed. The information was obtained from sources we believe to be reliable, but we do not guarantee its accuracy. Walston & Co., Inc. and its officers, directors or employees may have an interest in or purchase and sell the securities referred to herein.

WN-301