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## TABELL'S MARKET LETTER

July 3, 1969

"Experience is the only prophecy of wise men" . . . . . Alphonse de Lamartine

The past is the key to the future! This has proven to be especially true over the years in regard to the actions of the stock market. It is not at all difficult today to find market letters and advisory services relating the sequence of past events and subsequent market activity. Of late, much can be read about Summer rallies, how often they have taken place in the fileable past and how well these rallies did in their respective upward movements. Only last week, this letter retraced the history of the last 13 years with regard to oversold levels and subsequent changes in the Dow Industrial index six months later.

Thus, investors and traders alike often turn to the past for their solace; especially when market events have proven unsettling. In reviewing the past, it is interesting to note one particular piece of information that has generally gone unheralded by the investment community as the bearishness of the last several weeks grew ever more intense. The market, as registered by the DJI, reached a peak in May of this year and started into its decline from a closing high of 968.65 (intra-day peak of 974.92). The closing low was reached late in June at 869.76 (intra-day nadir 862.46), a drop of almost 100 points on a closing basis and 112 points on an intra-day basis. This decline has had the effect of turning many a bull into a bear and generally has worked unfavorably on investor psychology. In recent days it has not been difficult to find market analysts predicting much greater declines later on in the year, and one advisory service recently said that the best Christmas bonus this year will be the end of 1969.

But, if indeed the past is the key to the future, there is considerable hope for the balance of 1969. It is a fact "that the Dow Industrial Average has posted its closing high only once in the month of May since 1900". That particular year was 1948. Only once in almost 70 years did May manage to win out as the high month for the year. The recent high of 968.65 really is not so very far away from the present level of the Dow Industrials. It came down in less than two months and the year 1969 has six months left in it. July is a bullish month normally. The daily market averages increase on more days during July than for any other month, and the most consistent record of advances in diverse investment climates since the turn of the century is held jointly by July and January. In fact, since 1900, July has recorded more than twice as many advances as declines, 47 vs. 23, to be exact.

We are, we believe, currently in a rallying phase that most likely will be referred to as the Summer Rally of 1969. The heavily oversold position now has been altered to one more approaching a neutral stance, which in turn is expected to turn into an overbought condition before the rally ends sometime in the several weeks ahead. At least, this is the anticipated schedule. The extent of the rally probably is not as important as the duration. A rather long drawn out rally, with backing and filling, would build a base that not only could afford support in any subsequent downturn but also provide the basis for a later advance.

Earnings for the second half are difficult to predict at present. Perhaps the earnings on the DJI will be somewhat less than the previously estimated \$63 a share. Also, perhaps the recent market decline already has adjusted for this disappointment. If so, then there is a possibility that the lows for the year may have been recorded and that May 1969 just might step aside later in the year to hand over the prize for the closing high to another month yet to come, maybe November or December, both of which are on record as normally being bullish months. Thus, great pessimism seems uncalled for.

In the past it has proven good investment sense to seek out values in the market place, not regardless of the general market climate, but often in spite of it. The market has been in poor health in recent weeks, but many stocks and stock groups can be found that have recovered from their illnesses. It is in these industrial groupings that investors are most likely to find situations of greatest interest. While no one knows now what will be the next glamor group, there are certain groups that appear to have the technical factors and the fundamentals in their favor. Among these we would include OFFICE EQUIPMENTS, DATA PROCESSING, RETAILING, DRUGS & COSMETICS and selected OILS.

Dow-Jones Ind. 886.12  
Dow-Jones Rails 212.30

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