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## TABELL'S MARKET LETTER

August 22, 1969

The stock market extended its rebound from the oversold position of last July in the past week, turning in what must be characterized as a reasonably impressive performance. Solid advances were chalked up on Monday and Tuesday and after some consolidation at mid-week, the upswing continued in more restrained fashion with the Dow-Jones Industrials reaching a high of 843.72, up 7% above the July 30th intra-day low of 788.07.

It has been something better than three weeks, now, since that low was made, and as the growl of the bear recedes further into the distance, it is worthwhile to stand back and try to put the current stock market into perspective. The benchmarks are, at the moment, actually rather clear and, if we assume we are still playing by the rules of the game which characterized the post-war period, a few fairly obvious conclusions can be drawn as to the market's future.

The first and most obvious fact is that the action of the last week in July had all of the characteristics of a typical selling climax. More than 1100 issues, 65% of the total number of issues traded, made new lows for the week, and this was followed by two days of a sharp rebound with 70% of issues traded advancing on July 31st and August 1st. Similar conditions have occurred at three, and only three, periods in the recent past -- in October 1957, May of 1962 and August of 1966. All three of these periods will be recalled as times when the stock market was in the process of making major bottoms.

However, lest joy become unconfined at this prospect, let us take a close look at the action of the market in each of these periods. The following table lists for each of the three previous bottoms, and for 1969 to date, the weekly action following the week in which the climax was recorded:

1957			1962			1966			1969		
Week Ended	DJIA Low	New Lows	Week Ended	DJIA Low	New Lows	Week Ended	DJIA Low	New Lows	Week Ended	DJIA Low	New Lows
10/25/57	420	860	6/1/62	577	1185	9/2/66	767	1020	8/1/69	802	1102
11/1/57	432	180	6/8/62	594	140	9/9/66	775	420	8/8/69	821	189
11/8/57	434	200	6/15/62	563	410	9/16/66	795	165	8/15/69	809	238
11/15/57	430	260	6/22/62	539	425	9/23/66	791	220	8/22/69	827	N/A
11/22/57	432	160	8/20/62	535	620	9/30/66	772	480			
11/29/57	435	100				10/7/66	744	780			
12/6/57	447	100									
12/13/57	438	205									
12/20/57	426	325									

A few patterns are clearly noticeable. In all cases, a move to or through the initial low took place following the climax. In 1962 and 1966 new lows were posted on the average in the first instance, four weeks later and 7% below the climax lows and, in the second, six weeks later and 3% lower. Comparable figures for the current market would be 745 and 778. In 1957, the old low was virtually equalled some eight weeks later. The figures for new lows, however, are interesting. In all three previous cases the number of weekly new lows at the second downward move was considerably less than it had been at the time of the climax. If history is followed in the present case, it would mean a large number of issues saw their lows for the year as of last month.

For the near term, then, caution should be the watchword. Experience indicates a strong likelihood of a downward move within the next two to six weeks which could bring the Dow back to its former low and perhaps through that low by a fairly significant amount. Such action would probably bring about widespread prophecies of gloom and doom. Experience indicates, however, that were new lows to hold below their 1969 peaks, it would probably constitute a major buying opportunity.

Dow-Jones Ind. 837.25  
Dow-Jones Rails 202.02

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