

TABELL'S MARKET LETTER

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Stock prices attempted to firm in the early part of last week but that strength was aborted with weakness Thursday and early Friday. The rally attempts were unimpressive and certainly insufficient to signal any sort of major reversal. The immediate course of least resistance is apparently downward but, we think, at current levels, the amount of risk is limited -- perhaps 5-8% in terms of the popular averages and less for a great many individual stocks. Since periods such as the present generally produce visits in market leadership, stock selection will be important and we are, therefore, continuing in this letter our review of the technical position of major industrial groups.

OILS - Both the international and domestic segments of the industry have been showing inferior action relative to the market since the end of 1970. This unfavorable action has been particularly marked in the case of the international issues. Although some internationals are available at substantial discounts from their early 1971 prices and appear fairly valued fundamentally, further downside risk appears possible and we would be inclined to defer new investments at this time. Domestic oils such as Phillips Petroleum (28) and Cities Service (41) have returned to long-term base areas and, although near-term action may be slow, they could be candidates for accumulation. Amerada Hess (37), down from a high of 71, appears cheap although rebasing will be required.

PAPER - As a group, action has been average but patterns are mixed. Union Camp (33) has returned to the support in the low 30's and, although short-range softness is possible, the long-term base pattern remains intact suggesting higher levels. The same is true of International Paper (29) now selling near the low end of its trading range for the past three years.

PUBLISHING - This group has shown above-average action and has remained, to date at least, highly resistant to the bear market. However, most stocks in the industry have returned to the heavy overhead supply area around their 1968 and 1969 highs. Ability to penetrate this supply would be encouraging, but the issue remains in doubt at the moment.

RADIO-TV BROADCASTERS - Recent action has cast some doubt on at least the near-term outlook for these issues. After moving upward sharply in early 1971, the stocks have been moving laterally since that time and potential tops exist. We would be disturbed at downside breakouts below 40 in the case of American Broadcasting (46), 39 in the case of Capital Cities Broadcasting (41), and 32 in the case of Taft Broadcasting (36).

RADIO-TV MANUFACTURING - Most issues at recent highs were running into overhead supply. However, they appear to have corrected sufficiently and risk appears limited at the present time.

RAILROADS - By and large, group relative action has been good. The Dow-Jones Transportation Average has reached its most plausible downside objective at 221 and the most likely eventuality is that it will rebase in the broad 220-230 area. Southern Pacific (42) presents one of the more interesting individual patterns in the group.

RAIL EQUIPMENT - Most issues in this group continue to show above-average action. General American Transportation (47) appears attractive, and Pullman Inc. (45) has returned to a strong support area in the mid 40's.

RETAILING - Relative action of this group during 1971 has featured above-average action on the part of department and variety stores, action more or less, in line with the market from discounters and mail-order issues and sub-par action on the part of food retailers which are down sharply from their April highs. By and large, most issues in this latter group appear to have reached support levels and are attractive on a long-term basis. In the department-store field, such issues as Federated Department Stores (46) and Macy's (42) have so far continued their good relative action and resisted the general market decline. Continued ability of the former to hold above 42 and the latter to hold above 39 would be constructive.

Gimbels Brothers, Inc. (26), down from a high of 45 earlier this year, has returned to a strong area of potential support. In the mail-order area, Sears, Roebuck & Co. (92), the quality issue in the group, is selling close to its all-time high and distribution so far appears minor. We suspect it may be high for new purchases, however. Further downside risk in Marcor, Inc. (29) appears probable. In the discount field, Vornado, Inc. (23) would appear interesting, especially were it able to break above 30 under improved market conditions. Among variety chains, Kresge (S.S.) (88), one of the leaders of the 1970-1971 bull market, appears to be forming a potential top and is probably best avoided for the moment. Woolworth F.W. (46), on a short-term basis, might return to the support in the low 40's where the stock would appear attractively priced.

Dow-Jones Industrial (Noon) 809.94

S&P (Noon) 91.55

AWT:mn

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