

# TABELL'S MARKET LETTER

*Delafield, Harvey, Tabell*

909 STATE ROAD, PRINCETON, NEW JERSEY 08540

DIVISION OF

*Janney Montgomery Scott Inc.*

MEMBER NEW YORK STOCK EXCHANGE, INC.  
MEMBER AMERICAN STOCK EXCHANGE

September 8, 1972

The last few issues of this letter have focused on an apparent shift in leadership which has been taking place in the market since November. In general this shift has featured deteriorating relative action by visible-growth issues selling at high multiples and improving action on the part of some low-multiple cyclical issues which can be expected to thrive in an expanding economy. However, the improving relative strength shown by the latter group must be viewed in the light of individual chart patterns. In some cases, the patterns suggest the possibility of a major uptrend's having commenced. In others, the lack of large bases or the presence of overhead supply suggest that the current strength may be short term in nature. We are, therefore, starting this week, and will continue in future letters, a review of the technical positions of major industry groups. The comments which follow are based on technical factors only, and further information on all issues is available on request.

**AEROSPACE** - Most stocks in this group have spent the last two years forming what will undoubtedly turn out to be potential bases. Market performance since November has been above average, but recent relative action has weakened, lending some doubt as to whether upside penetrations will take place immediately. They would thus appear interesting for purchase only on weakness to around last year's lows.

**AIR TRANSPORT** - This group had been one of the star performers in the market upswing through May, but deterioration since that time has been vicious. Nonetheless, most long-term uptrends remain intact, and a number of issues appear close to support levels. Delta Airlines (53), National Airlines (38), and Northwest Airlines (37) have reached downside objectives of short-term tops and appear to be attempting base formations around current prices.

**ALUMINUM** - This group is typical of those cyclical industries which had been inferior market performers almost throughout the entire bull market but which have shown dramatically improved short-term relative action over the past couple of months. Although further short-term upside potential exists, the size of the bases, plus relatively heavy overhead supply, do not suggest the likelihood of a major move's having begun.

**AUTOMOBILES** - This is one of the few cyclical groups that has failed to outperform the market recently, and this failure must raise some doubts in view of the above-average strength shown by other such issues. Potential bases are large, but we would await improving relative action before suggesting purchase.

**AUTO EQUIPMENT** - This group has, generally, been outperforming the market over the past two years, but many of the leaders such as Champion Spark Plug (53), Dana Corp. (39), and Echlin Manufacturing (41), are approaching upside objectives. Borg-Warner (33), has an interesting long-term pattern with an upside potential well above current levels.

**BUILDING SUPPLIES** - This group has been deteriorating relative to the market since approximately November, and a certain amount of further downside risk appears to be present in many issues. Generally, the attraction at this time is below average.

**CHEMICALS** - This is another cyclical group which has just recently begun to show improving action. Monsanto (56) remains in a well-defined uptrend with higher objectives readable. Union Carbide (49) has completed a substantial base formation and also appears interesting as a purchase candidate.

**CONTAINERS - METAL & GLASS** - Major issues in this group have shown dramatically improved relative action over the past few months, but heavy overhead supply appears to limit upside potential for the time being. Such supply exists in the high 30's for Continental Can (33) and at 35-38 for American Can (32).

**CONTAINERS - PAPER** - Most issues in the group appear to be in neutral to moderate downtrends and would appear to be uninteresting as purchase candidates except for very long-term bargain hunters. An exception might be Bemis Co (26) which has just broken out of a two year base and which has strong support at 22-21.

**COPPER** - Another highly cyclical group in which distinct relative improvement has taken place since November, after two years of below-average performance. Bases are generally not large, however, and it is hard to envision the present strength turning into a move of major proportions. Phelps Dodge (40) might be an exception, and ability of this stock to move above the 45 level would indicate considerably higher levels.

Dow-Jones Industrials (12:00 p.m.) 962.67

S&P (12:00 p.m.) 110.29

AWT:rk

ANTHONY W. TABELL

DELAFIELD, HARVEY, TABELL

No statement or expression of opinion or any other matter herein contained is, or is to be deemed to be, directly or indirectly, an offer or the solicitation of an offer to buy or sell any security referred to or mentioned. The matter is presented merely for the convenience of the subscriber. While we believe the sources of our information to be reliable, we in no way represent or guarantee the accuracy thereof nor of the statements made herein. Any action to be taken by the subscriber should be based on his own investigation and information. Janney Montgomery Scott, Inc., as a corporation, and its officers or employees, may now have, or may later take, positions or trades in respect to any securities mentioned in this or any future issue, and such position may be different from any views now or hereafter expressed in this or any other issue. Janney Montgomery Scott, Inc., which is registered with the SEC as an investment advisor, may give advice to its investment advisory and other customers independently of any statements made in this or in any other issue. Further information on any security mentioned herein is available on request.