

TABELL'S MARKET LETTER

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March 8, 1974

Market action continues to improve.

The Dow Jones Industrial Average since the December low of 788.31 rallied 11.72% to a high of 880.69 in early January. Since then a successful test of the December low was made in February, albeit the broader based averages such as the S & P Composite and the New York Stock Exchange Composite penetrated their respective lows. The Dow is now making an attempt to breach the January high. It is interesting to note at the same time daily market breadth as measured by our Cumulative Index penetrated its January high and continues to act most impressively. The pieces continue to fall into place. The 200-day moving average was broken intraday, new daily lows continue at low levels and the 11.72% year-end rally has carried in length of time into March. As noted in an earlier market letter this year, in the 19 years rallies of the magnitude of 10% or more have continued into March or later, 17 of these years the eventual trend was upward.

Past issues of this letter have focused on the now obvious shift in leadership which has been taking place in the market between the deteriorating growth issues selling at high multiples and improving action on the part of the low multiple, commodity-oriented, cyclical sector. Because of this coupled with the improving picture of the general market, we are therefore starting this week and will continue in future letters to review the technical position 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 - Group relative strength continues to be below average. Most stocks in this group continue to sell around their 1970 lows. Although this area should eventually constitute potential bases, time will be needed. Overhead supply should prevent any immediate move from current levels.

AIR TRANSPORT - Having reached their downside objectives around their 1973 lows, this group has shown increased relative strength over the past few months. At these levels National Airlines (19), Northwest Airlines (24) and UAL Corp. (27) break out on the upside slightly above current levels. Feel stocks can be purchased in support areas on minor weakness.

ALUMINUM - This group is typical of those cyclical industries mentioned above and for the past year has shown above average relative strength. Alcan (35), Alcoa (46) and Reynolds Metals (21), indicate longer term upside objectives and continue to feel stocks should be purchased.

AUTOMOBILES - Although relative group average has deteriorated recently, Chrysler (18), Ford (49) and General Motors (51), have met downside support and appear to be forming short-term bases indicating moves into overhead supply. Ford has, in fact, recently broken out on the upside indicating a move into the high 50 area. Time will be needed to improve group. Purchases on weakness in American Motors (10) in the 10-9 area is, however, recommended for the more aggressive portfolios.

AUTOMOBILE PARTS - Relative price action of this group continue to put in below average performance. Although downside objectives have been realized, we feel considerable time will be needed for patterns to broaden. Eaton Corp. (28) and Gould, Inc. (23) have already started this process, looking attractive short-term, and should be watched.

BUILDING MATERIAL - Building related groups continue to deteriorate relative to the market and although downside risk appear minimal, generally the attraction of this group is below average at this time.

CHEMICALS - This is another cyclical group which has continued to show improving action. Air Products (57), Hercules (32) and Monsanto (59) continue in uptrends with higher levels indicated. Allied Chemical (44), Dow Chemical (60) and Union Carbide (36), also have constructive potential base formations and appear interesting as a purchase candidate. Representation in group is strongly recommended.

CONTAINERS - METAL & GLASS - Major issues in this group continue to show poor relative action and heavy overhead supply appears to limit any upside potential for the time being. Supply exists in the 30-35 area for American Can (29) and the high 20-low 30 area for Continental Can (25).

CONTAINERS - PAPER - Most issues in this group appear to be in neutral to moderate downtrend and would avoid purchase as time will be needed to improve technical position of the group.

Dow-Jones Industrials (12:00 p.m.) 869.06
S & P Comp. (12:00 p.m.) 96.85
Cumulative Index (3/7/74) 625.79
RJS/jb

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