

TABELL'S MARKET LETTER

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~~We are continuing this week our review of individual industry groups and stocks. All comments are~~
based solely on technical action of the groups and stocks involved, and further information on any issue mentioned is available upon request.

DISTILLERS. Group performance generally has been in line with the market since the early part of 1974. In most cases, the bases formed at the 1973-74 lows were small and, as the stocks have moved up along with the market, objectives are beginning to be reached. Generally, better opportunities would appear to exist elsewhere.

DRUGS. Relative strength of this group has begun to improve, and in general most issues possess good short-term technical patterns. Johnson & Johnson (93) has an upside objective of 106, Merck (75) an upside target of 88, Schering Plough (64) an objective of 78 and Pfizer (35) of 51. Caution should be exercised, however, since around the levels of these objectives most issues will be running into massive overhead supply from their 1973-74 tops. We would, therefore, be extremely watchful for any evidence of pattern deterioration and would be willing to use the issues as sources of funds should anticipated strength occur.

ELECTRICAL EQUIPMENT. Relative action of the group as a whole has tended to be below average. General Electric (46) has a good short-term pattern with a possible objective in the low 60's but runs into heavy overhead supply in that area. Westinghouse (15) has rebounded from a low of 9, and its short-term objective has been reached. Probably more work will be needed for a great deal more can be expected on the upside. Cutler-Hammer (24) and I-T-E Imperial (18) have formed fairly impressive bases and could successfully penetrate the overhead supply just above current levels. The former has a short-term objective of 36, followed by possible higher levels, and the latter an intermediate-term target of 29.

ELECTRONICS. ~~There has been a sharp improvement in short-term relative strength since about the first~~
of the year in this group after it had acted poorly relative to the market since the fall of 1973, resulting in precipitous price declines, especially in the more marginal issues. In the semi-conductor field, Texas Instruments (90) has been acting well on a short-term basis but heavy overhead supply exists in the 100-115 area and we would regard it as a sale on strength to those levels. Most issues in the group appear to possess limited potential in contrast with other opportunities available.

FINANCE. Group relative action, which had been above average for most of last year, has deteriorated somewhat in recent months, suggesting that in most cases more base-building will be required. At the moment, one of the most constructive patterns appears to be Beneficial Finance (18) with an upside objective of 32.

FOODS. Despite the general low volatility of this group, relative action has remained above average even in the recent market rise. Patterns in the group are diverse. Borden (24) has a possible upside objective of 34 and Standard Brands (62) one of 96. General Foods (25) has moved up sharply but is now running into fairly heavy overhead supply. Soybean processors such as Archer-Daniels-Midland (20) generally possess impressive patterns, this issue recently having broken out of a base suggesting appreciably higher levels. Corn syrup producers, the beneficiaries of the recent sugar shortage, have moved ahead sharply, but higher objectives are readable, including a possible long-term target of 78 for CPC International (40). Sugar stocks, in general, have been subject to recent weakness but in some cases, at least, may be rebuilding bases for a further upside leg.

FOREST PRODUCTS. Boise Cascade (17) and Weyerhaeuser (33) show improving technical patterns with the former having an upside objective of 28 followed by higher levels and the latter a long-term target in the low 60's. Georgia Pacific (40), by contrast, meets some overhead supply around current levels.

GOLD. Despite recent improvement, major issues are running into heavy supply at around current levels. The possible downside implications of major tops formed last year were not fulfilled, and we would regard the group as being potentially vulnerable.

HOSPITAL SUPPLIES. Recent technical action has been impressive and higher levels are probably indicated short-term. As with the drug group, however, overhead supply not too far above current levels represents a potentially inhibiting force in the way of a further advance.

HOTEL-MOTEL. Recent relative strength improvement in this group has been among the sharpest of any major industry, representing a sharp rebound from the extreme oversold condition that existed at the end of 1974. In general, we would use recent strength to shift these issues into other areas.

Dow-Jones Industrials (12:00 p.m.) 768.70
S & P Comp. (12:00 p.m.) 84.24
Cumulative Index (3/13/75) 476.02
AWT/jb

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