

# TABELL'S MARKET LETTER

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Last week we presented two alternatives facing the stock market as it approached the 800 supply-area in the Dow-Jones Industrial Average. Earlier this week, aided by the dramatic news events from the Middle East, the market resolved these alternatives. In five trading days the Dow-Jones Industrial Average corrected itself from 776.12 to 743.43 or 5.48%. The short-term tops formed on our two-point unit and five-point unit charts indicated a downside potential of 728-720; and on an intraday basis these objectives were approached. Subsequently the market reestablished its uptrend. The short time span (68 trading days) of the initial phase of the bull market (+ 36.17%) coupled with the volatility of the general market provides us with a rationale for the continued sustainability of this move.

We complete this week our review of the technical position of the major industry groups. Comments on individual stocks are based solely on technical factors and further information is available on request.

**OILS.** The domestic oils as a group have moved sideways since advancing from their 1974 lows with no apparent improvement in relative strength indicated. The internationals also continue to show poor relative strength action and we would avoid purchases for capital appreciation at current levels.

**PAPERS.** Although group action of the paper stocks has been neutral, individual issues have made substantial percentage gains. These stocks would include Crown Zellerbach (32), International Paper (41) and Union Camp (53). The moves appear to be part of a long-term consolidation phase and time will be needed to work through heavy overhead supply. An interesting buy candidate is Weyerhaeuser (33). Ability to reach 36 would indicate long-term upside objective of 62. Support is present under current levels.

**RAILROADS.** In spite of disappointing relative strength action of this group, we continue to feel Burlington Northern (36), Norfolk & Western (64), which have minor short-term tops, can be purchased on weakness as downside objectives are reached. Also, Seaboard Coastline (29) continues to trade in strong support area indicating higher levels for the longer term.

**RAILROAD-EQUIPMENT.** One of the most attractive patterns in this group is Amsted Industries (50) which recently broke out of base formation indicating an upside objective of 76. Strong support is present in mid-40 area. Pullman (45) continues to trade in long-term neutral pattern. The ability to reach 51 would break out of its trading area with an upside potential in the mid-70's.

**RETAILING.** The long-term relative strength of the retailing department stores remains positive and we would consider purchases on weakness. Federated Department Stores (40), Kresge (25), May Department Stores (33) and J. C. Penney (56) are all in the process of broadening potentially constructive base formations; however, time will be needed to develop these patterns in order to penetrate heavy overhead supply. Strongest area in retailing group continues to be the food stores and we recommend purchase of American Stores (35) which indicates an upside objective of 46-64 and Safeway Stores (44) which has an upside objective of 60. Strong support is present under current levels.

**RUBBERS.** Although stocks in this group appear to have reached downside objectives, substantial time will be needed to improve technical patterns. The exception in this group is Bandag (33). The ability of this constructive pattern to reach 37 would indicate long-term upside objective of 70.

**SAVINGS AND LOAN.** Recent short-term relative strength of these stocks has been impressive, most stocks appreciating 100% from their 1974 lows. However, from these levels stocks appear to be encountering heavy overhead supply and we feel time will be needed for further advances.

**SOAPS.** With strong support under current levels, Colgate-Palmolive's (29) ability to reach 31 would break stock out of major long-term base indicating higher levels. Purchase is justified. Proctor & Gamble's (94) technical pattern is neutral. Ability to reach long-term upside breakout of 108 indicates initial upside objective of 150.

**SOFT DRINKS.** Coca-Cola (79) has broken out of a long-term base formation which indicates a potential 120. Pepsico (60) also has broken out of a base formation which indicates upside objective of 75. We would continue to hold both securities but look for short-term relative strength deterioration.

**STEEL.** Long-term pattern of major steel companies continues to be most constructive. Bethlehem Steel (34), Republic Steel (32) and U.S. Steel (57) have broken out of major base formations indicating higher levels and we feel purchase justified. Also, Armco (30), Inland (40), Wheeling Pittsburgh (25) have strong technical patterns and we would consider purchase on weakness for the long term.

**UTILITIES.** Electric utilities continue to show below average relative strength and we would avoid purchases at current levels. The natural gas-oil pipelines, however, we feel present an interesting buying opportunity and we would suggest Houston Natural (33) and Northern Natural (58) as buy candidates. Also, Kaneb Services (20) on the American Stock Exchange appears attractive at current levels.

Dow-Jones Industrials (12:00 p.m.) 771.59

S & P Comp. (12:00 p.m.) 83.96

Cumulative Index (3/26/75) 474.18

RJS/jb

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