

TABELL'S MARKET LETTER

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For the third time in recent weeks, the Dow-Jones Industrial Average rallied at mid-week from around the low 970's. This area is now sufficiently tested so that downside penetration, if it were to occur, would have some significance and would probably portend an extended period of attempted rebasing in the 950-970 range. In turn, were 950 ultimately to be penetrated on the downside, significantly lower levels could be foreseen. It should, however, be pointed out that the occurrence of such a correction, which would have to be placed in the intermediate-term category, this early in the cycle would be an unusual one, and we would regard the eventual upside penetration of the 970-1000 range which has contained the Dow for the past few weeks as the more likely eventuality.

We are continuing this week our review of industrial groups and stocks. All comments are based solely on technical factors and further information on individual issues is available upon request.

CONTAINERS-METAL AND GLASS. Both American Can (34) and Continental Can (28) have impressive base patterns, although major trend upside breakouts have not yet been achieved. The stocks could be considered for purchase on weakness.

COPPERS. Action in this group has been subpar throughout most of 1975 but, on a short-term basis, relative strength has picked up. Newmont Mining (29) has just moved into a major uptrend with an initial objective of 40 and Phelps Dodge (44), although faced with heavy overhead supply, could move higher.

DISTILLERS. Action within the group has varied. Both Heublein (52) and National Distillers (25) have moved up sharply in recent months. The former, however, is approaching most readable upside objectives, while the latter suggests higher upside targets with a long-term objective of 40. Seagrams (30), by contrast, has lagged and a period of protracted rebasing in the low 30's appears to be a probability.

DRUGS. As a group these issues have underperformed the market since the beginning of 1975 suggesting, perhaps, that price/earnings ratios are still more than adequate. Most issues are currently priced just below massive overhead supply from their 1972-74 tops, and, although some rebasing has taken place, we would regard an upside breakout at this stage as unlikely. Indeed, some issues, despite general market strength, appear to possess a fairly high degree of downside vulnerability. With a few exceptions we would be inclined to avoid the group.

ELECTRICAL EQUIPMENT. Patterns within the group vary. General Electric (52), in a short-term trading range, has moved back to just above strong support at the 50-45 area. Heavy overhead supply at 60-70 may slow any upside action, however. Westinghouse (16), a severe victim of the 1973-74 bear market, has begun its long-term rebasing process, and probably more work will be needed in the broad 10-20 range. Switchgear companies generally have impressive base formations but in most cases are just under overhead supply from their previous tops, and upside action may be slowed somewhat. Appliance companies have generally attractive technical patterns with above-average relative strength. Maytag (36), Sunbeam (26) and Whirlpool (31) all have higher readable upside objectives.

ELECTRONICS. This is another group with mixed patterns, but with a few exceptions most issues are close to overhead supply going back to the late 1960's. Ability to reach 30 would suggest considerably higher levels for Beckman Instruments (25). Recent ability of Texas Instruments (118) to reach the 120 level was impressive, and considerably higher upside objectives appear to be readable for the stock despite its generous price relative to the general market.

FINANCE COMPANIES. Substantial potential bases exist but there is no evidence, from a relative-strength point of view, that an immediate upside breakout will be attempted. Breakout points would be 38 for C.I.T. Financial (33) and 33 for Walter E. Heller International (26).

FOODS. Despite the relatively low volatility of this group, many issues have managed to outperform the market on both a short and long range basis. Action of meat packers has been particularly outstanding, and Esmark (39), while approaching short-range objectives, still has much higher long-term targets. Borden's (29), although close to overhead supply, has impressive long-range potential as does CPC International (44), despite its recent backing and filling in the 40-50 range. Some issues have major upside breakouts just above current levels such as 38 for Campbell Soup (32), 30 for Del Monte (24), 32 for General Foods (29) and 48 for Kraftco (43).

FOREST PRODUCTS. Most issues in this group appear attractive technically. Boise Cascade (28) has an upside objective of 52, Georgia Pacific (54) one of 60-80 and Weyerhaeuser (45) one of 63. In most cases there is support just under current levels.

GOLD. A few issues in this group have moved into short-term uptrends which would carry them into heavy overhead supply from past peaks. They would be appropriately considered as sales on strength.

Dow-Jones Industrials (12:00 p.m.) 980.79
S & P Comp. (12:00 p.m.) 100.71
Cumulative Index (3/18/76) 610.63

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