

TABELL'S MARKET LETTER

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The Dow-Jones Industrial Average again rallied midweek penetrating on the upside the 970-1000 range which has contained the Dow for the past few weeks. The ability of the advance/decline breadth index to confirm this move would keep intact the second leg of the bull market which continues to indicate 1030-1080.

We continue 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 on request.

HOTEL-MOTEL. Relative action in this group has been sharply above average. In most cases higher objectives are readable and the stocks may be held or bought on weakness. Hilton Hotel (18) and Holiday Inn (17) both appear attractive from a technical point of view.

INSURANCE. The rotation of leadership apparent in this market phase has signaled the insurance group as it appears to be in a position to participate on the upside. Recent breakouts of Continental Corp. (49) and Travelers Insurance (31) both indicating higher levels should be noted. Also, ability of Aetna Life (27) to reach 30 and NLT Corp. (20) to reach 22 would break these stocks out of base patterns on the upside also indicating higher levels. With improved relative strength this group appears to be an interesting buying opportunity at current levels.

MACHINERY-AGRICULTURE. Deere & Co. (13) by far the best acting in this group indicates a long-term upside objective of 72-86. The ability of International Harvester (27) to penetrate 31 would indicate higher levels. Current technical pattern is neutral and overhead supply is present.

MACHINERY-COMPOSITE. Although the group relative strength remains above average, stock patterns in this group are diverse. Constructive patterns would include Babcock and Wilcox (28), Briggs & Stratton (55), Bucyrus-Erie (26), Caterpillar Tractor (82), Cooper Industries (63) and Gardner Denver (30). Those stocks that have not completed potential base patterns would include AMF (20), Chicago Pneumatic (34), Ex-Cell O Corp. (19) and Foster Wheeler (27). This latter group should be watched for improvement in relative strength.

MACHINERY-SERVICE. A number of stocks in this area have had substantial price rises from their 1974 lows. However, with the exception of Dresser Industries (70), these stocks have shown short-term deterioration. These would include Baker International (47), Halliburton (152), McDermott (44) and Schlumberger (76). Would watch this area closely to see if these short-term downtrends are arrested.

MOBILE HOME BUILDERS. After reaching their highs in 1972, this group experienced a severe price correction. Since then, the stocks having corrected, have met support and are in the process of building potential base patterns. Fleetwood Enterprises (20) recently broke out of its base pattern indicating an upside objective of 30-40. Skyline Homes (21) also has a strong technical pattern reflecting minimal downside risk at current levels. Ability to reach 27 would break out stock on the upside from a four-year consolidation period.

OFFICE/BUSINESS EQUIPMENT. Burroughs Corporation (103) long-term technical pattern is neutral. Ability to reach 115 would signify a breakout on the upside indicating substantially higher levels. Strong support is present in the 100-90 area. SCM Corp. (16) breaks out at 19 indicating long-term upside potential of 37. Digital Equipment (173) and IBM (258) are both in major uptrends with support present under current levels. Would continue to hold. Digital Equipment indicates a 200 objective on the upside and IBM indicates a potential 300-340. Control Data (25), NCR Corporation (28) and Pitney Bowes (16) show neutral relative strength and feel time will be needed to improve patterns. This also applies to Xerox Corporation (60). Although a support area in the high 50's seems logical, time will be needed to reverse its major downtrend.

OILS. The long-term relative strength of the oil group continues to be below average. In most cases, the individual components of this group reached their lows in 1974 and since that time have been in the process of consolidation. The potential base patterns of Amerada Hess (20), Cities Service (44), Gulf Oil (25), Shell (54), Standard Oil of California (34) and Union Oil of California (46) appear attractive.

PAPERS. Obviously one of the most outstanding groups, the papers continue to justify purchase on minor weakness. Would consider Crown Zellerbach (46) with an upside objective of 72-80, Mead (29) an upside objective of 45-60, Scott Paper (23) with an upside objective of 36 (overhead supply is present in the high 20-low 30 area) and St. Regis Paper (46) with an upside projection of 60. Continue to think International Paper (72) and Union Camp (89) at these levels are hold candidates.

Dow-Jones Industrials (12:00 p.m.) 1004.09
S & P Comp. (12:00 p.m.) 103.00
Cumulative Index (3/25/76) 614.63
RJS/jb

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