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TABELL'S MARKET LETTER

January 6, 1961

Market action this week conformed to a 25-year old pattern.

As this letter has previously pointed out, in every year since 1935 there has been a measurable year-end rally. It has, moreover, been suggested that these rallies have not been an early December phenomena, and that in every case they have carried on into the following January before reaching their high.

There was suspicion that this might not be the case this year as on Tuesday, 1961's first trading day, the Dow-Jones Industrial average receded some 5.64 points. However, on Wednesday the market sharply reversed itself and, on heavy volume, erased the lows and pushed on to new high ground with an 11-point advance in the Dow. The rally continued through mid-Thursday, reaching a high of 628.35 before a mild reaction on Thursday afternoon and Friday set in.

A study of past rallies of this nature shows that the important figure to watch is now the December low of 589.92. Experience indicates that if the low of the previous December is not penetrated early in the following year, the trend for that year is, invariably, up. In fact, since 1937, the December low, if ever broken, has always been broken by mid-March -- usually in early January. Therefore, the longer that the averages hold above this December low figure, the more constructive the market outlook for 1961 becomes. Another phenomenon which has characterized year-end rallies is the fact that an advance of 10% from the December low has always indicated an up market in the following year. At its high this week, the Dow-Jones Industrial average had already advanced some 6 1/2% from the December low. A 10% advance would carry it to about 649 and would indicate the probability of a rising market in 1961.

A close study of market action over the past two weeks certainly proves that such a rise is feasible. In the last week of 1960, despite the fact that there were only four trading days, some 16 1/2 million shares changed hands. Volume on December 30th was at a two-year high, well over 5 million shares. It is interesting to note that although the averages did little or nothing in the last week in December, advancing stocks outnumbered declining ones on every day of the four trading days. The number of stocks advancing on the week was 725, considerably ahead of the 520 that declined during the same week. Naturally enough, this caused continued impressive action in our 25-week and 10-week moving totals of upside and downside volume. It is worth noting that on both bases, upside volume closed the year in new high territory, and downside volume in new low territory.

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This week's action was also impressive. Although the Dow-Jones Industrials were off better than five points on Tuesday, 501 stocks advanced and only 551 declined. On Wednesday and Thursday with an advancing market, both volume and advance-decline figures were excellent. On Wednesday, there were 803 advances vs. 260 declines, and the figures on Thursday were 744 versus 330. Volume expanded from 2,770,000 shares on Tuesday to around the 4-million-share level on the following two days. On Friday, volume contracted somewhat and the averages were off, but it is interesting to note that, even with a drop in the averages, the number of advancing stocks was greater than the number of declining ones. Naturally, this type of action is constructive from a technical point of view.

There appears, therefore, to be little reason to change the opinion previously expressed by this letter that market action for 1961 will be positive and that the current rally could still continue somewhat further before some temporary consolidation takes place.

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Dow-Jones Ind. 621.64
Dow-Jones Rails 135.65

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