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## TABELL'S MARKET LETTER

August 9, 1957

The averages declined to the lower limits of the first support shelf before they were able to stage the first worthwhile rally since the July highs were reached. The Standard & Poor 500-Stock Index reached a low of 46.13 on Wednesday and the Dow-Jones Industrials declined to 490.25. It is probable that these lows will hold for the time being and be followed by a slow consolidating period probably for the balance of the month before another attempt is made to penetrate the overhead supply that exists in the 48-50 area and 510-525 area.

The past two moves in the market have been sharp and rapid -

	Intra-Day Low June 24th	Intra-Day High July 15th	Points Advance	Intra-Day Low Aug. 7th	Points Decline
S & P 500	46.38	49.41	3.03	46.13	3.28
D.J. Ind.	492.87	523.11	30.24	490.25	32.86

The rally from the June lows to the July highs was completed in fourteen trading days and the July-August decline was accomplished in seventeen trading days.

On a broader scale, the same alternate moods of optimism and pessimism have been going on since April 1956. In the past fifteen months, there have been eleven advances or declines of 20 points or more in the Dow-Jones Industrial average.

Date		Date		Points
April, 1956	524.37	May, 1956	463.85	-60.52
May, 1956	463.85	Aug., 1956	523.33	+59.48
Aug. 1956	523.33	Oct. 1956	463.83	-59.50
Oct. 1956	468.83	Nov. 1956	500.52	+31.69
Nov. 1956	500.52	Nov. 1956	460.41	-40.11
Nov. 1956	460.41	Jan. 1957	502.57	+42.16
Jan. 1957	502.57	Feb. 1957	453.07	-49.50
Feb. 1957	453.07	June 1957	516.81	+63.74
June 1957	516.81	June 1957	492.87	-23.94
June 1957	492.87	July 1957	523.11	+30.24
July 1957	523.11	Aug. 1957	490.25	-32.86

While the averages have been backing and filling over the same territory for fifteen months and getting nowhere, many individual issues have had private bull markets and private bear markets of their own. I could fill a page with examples of this, but the reader can pick them out for himself.

This type of action will, in my opinion, continue for a long time. It is logical that it should. Earnings on the various averages will show little more than 10% change between 1955, 1956 and 1957. There is no reason why the averages should move very far in either direction. At 50 in the Standard & Poor 500-Stock Index, or 525 in the Dow-Jones Industrials, the market is valued on the high side on the basis of present earnings and dividends. Any higher evaluation must borrow from the hope of future earnings and dividends not yet realized. At around 40 in the S & P Index and 460-450 on the Dow-Jones Industrials, the market is probably valuing the same factors on the low side. Until there is a definite change in the present earnings outlook or in the future earnings outlook, the averages will continue to hold in a broad trading area swayed by temporary changes of optimism and pessimism.

The picture in individual companies is different. Some companies are showing sharply increased earnings while others are in a declining trend. The stocks of these companies are following their own earnings trends and not the trend of the averages.

The moral of all of this is that the investor or speculator should be more concerned with the outlook for individual stocks than in worrying about the roller coaster moves of "the market".

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