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TABELL'S MARKET LETTER

March 25, 1966

"Thus in the beginning" said Cicero, "the world was so made that certain signs come before certain events." Today's stock market analyst could add, "but not always".

Over the past two weeks, with stocks well down from their highs and the Dow-Jones Industrial Average having suffered its steepest decline in seven months, many investors, mindful of the dramatic ending of the downswing last June, were looking for a classical "selling climax". The Averages have now recovered some twenty-five points, and they are still looking.

Indeed, a more unexciting decline than the recent one could hardly be imagined. Its final phase took the Dow-Jones from a high of 941.42 on March 10th, before the prime rate rise was announced, to a low of 905.40 on March 15th which, as we noted last week, was in the upper part of the 910-890 range previously suggested by this letter as a downside target. In the final three days of the decline volume was 7 million, 7.4 million and 9.4 million shares, respectively, a level well below previous past peaks. The erosion of prices was both steady and orderly on all three days.

The subsequent rally was equally unimpressive in its origins. On the first day of recovery, volume was 7.3 million shares and in the following two days it slipped to 5.4 and 6.4 million shares - the lowest trading volume produced in three months. Finally, on Tuesday of this week an intra-day high of 942.92 was reached and the whole process was back where it started. In the course of the rise, at the end of last week, most of our short-term indicators, which had touched oversold territory, recovered sufficiently to give buy signals.

All this does not rule out the possibility that new downside momentum may develop, and a classic high-volume selling climax may yet take place. Yet, it becomes relatively less likely with the passing days. Already the past two weeks of action have built the start of what could be a potential base for a new advance. This base is not yet broad enough to indicate an imminent move of any substantial proportions ---960-965 is about the best upside target that can be read --- but this could broaden very easily with more backing and filling around current levels so that the eventual objective might be considerably higher. Indeed, even were a renewed downthrust to bring the Averages to new lows, the work already done in the 908-938 range could probably be considered part of the base on the way back up.

The Rails present a somewhat different pattern. At their recent high of 272, the carriers had reached all their long term upside objectives, but the top formed was small and the only downside objective that could be noted was 246-244. A low of 242 was reached, followed by a rapid recovery. It is difficult at this point to predict the course of the Rail Average until such time as a new pattern forms. Action within the group should be mixed.

Some three weeks ago, prior to the current weakness, this letter set out a list of seventeen stocks with support levels stating that these would be added to our Recommended List if the buying levels indicated were reached. This took place in five cases. To the Quality & Long Term Growth list we are adding Union Bag-Camp Paper (47 3/8), purchased at 47, to our Capital Appreciation list we are adding Robertshaw Controls (36), purchased at 34, and Bell & Howell (45 7/8), purchased at 40. To our Speculative Capital Appreciation list we are adding Chris-Craft (23 3/4), purchased at 23, and Budd Company (18 1/4), purchased at 18. All these stocks will be reviewed in detail in subsequent copies of this letter.

We would also continue to suggest purchase of the other twelve issues recommended in our March 4th letter if the buying levels are reached. As time goes on, and, if the market pattern improves, it may become necessary to suggest purchase of some of them at higher prices.

Dow-Jones Ind. - 929.95
Dow-Jones Rails - 252.28

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