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TABELL'S MARKET LETTER July 1, 1966

Last week's market action was, to say the least, interesting.

Posting declines on the first three days of the week, the Dow-Jones Industrial Average continued to fall until shortly past noon on Thursday. After posting an intra-day low on Thursday of 858.90, the Averages rallied sharply to close only slightly off on the day, and the advance continued to a peak of 884.02 on Friday with mild profit-taking setting in late Friday afternoon.

What is interesting, of course, is the fact that the intra-day low of 858.90 was almost exactly identical to the May 17th intra-day bottom of 859.13. This sort of action will, undoubtedly, produce a plethora of technical comments about a "test" of the lows. Actually, action of this sort is fairly typical. The possibility of an occurrence of this nature was noted by this letter on May 27th when we said - "However, one interesting characteristic of extremely oversold markets may be noted. In a great many cases the low reached at the time of the extreme oversold low is followed, from two weeks to a month later, by a further low just slightly below the previous one. In general, this subsequent decline tends to be more selective and a great many stocks do not move on to new bottoms. It is these stocks, generally, that tend to be the leaders of the subsequent advance." Just this sort of thing has, so far, taken place, and the number of stocks that at this week's bottoms were well above their lows of a month ago are, of course, legion.

All of this analysis of the Averages is interesting, but, in one sense, it doesn't really make any difference. A study of recent action of the Dow, for example, must tend to remind the technician of market action in other highly irregular markets -- 1953 and 1960 come most readily to mind. Both of these periods were ones in which the market averages generally tended to trend lower. Both, however, were also periods in which it was possible to achieve investment success by judicious selection of the proper stocks.

	February 9, 1966-High	March 15, 1966-Low	April 21, 1966-High	May 17, 1966-Low	June 30, 1966-Low
Dow-Jones Ind. Aver.	1001.11	905.40	961.91	859.13	858.90
Sperry Rand	20 5/8	17 7/8	23 3/4	18 1/8	25 1/8
McDermott, J. B.	59	52 3/4	60 1/2	53	66
National Cash Reg.	82 1/4	81 1/2	89 3/4	79 1/8	84 1/4
Owens-Corning F	64 3/4	60 3/4	83 1/2	77 1/2	81 3/8
Goodyear Tire	49 1/2	43	47 1/2	45 1/8	50
Admiral	108 3/4	87 1/4	125 1/2	90 1/8	89 3/8
Chrysler	61 3/8	51 1/4	51	41	38 3/4

Such also seems to have been the case in the most recent period. This fact can be illustrated by the table above. All of the first five stocks in the table were, at their lows of Thursday, selling higher than they had been on February 9, 1966, the day the Dow made its high at over 1000. In other words, it might have been possible for a market analyst in February to point out that the Dow would be almost 150 points lower five months hence. If, acting on this theory, he had sold the stocks mentioned, even at their highs, a considerable amount of profit could have been lost.

A further glance at the table points out the diversity of action since the February highs. Sperry and McDermott, for example, are 38% and 25%, respectively, above their lows of a month ago, despite the fact that the Dow was approximately equal at both times. Admiral was a strong performer up to the April highs and, indeed, was higher at that point than in February. The recent low, however, was below the May low and dangerously close to the March figure made when the Dow was almost 50 points higher. Chrysler, on the other hand, was lower at the April peak in the Averages than it had been on the day the March low was made, and has continued downward throughout the entire period. The point is that judicious selection of stocks would have rewarded the investor during the first half of 1966, and will probably continue to reward him during the second half as well.

Dow-Jones Ind. 877.06
Dow-Jones Rails 227.25

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