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TABELL'S MARKET LETTER October 13, 1967

Not unexpectedly, the market moved lower through most of last week, with the Dow-Jones Industrials reaching an intra-day low of 909.79 on Thursday. The low was reached on sharply reduced trading volume of 7,770,000 shares, brought about, largely, by the Columbus Day demi-holiday and, perhaps, by preoccupation with the events in Boston. Friday's trading saw a mild sort of a rally with the Dow moving ahead some five points.

At Thursday's intra-day bottom, the Dow had just about reached the most conservative possible downside objective based on the September-October distributional top. The decline to Thursday's low also brought the correction into line with most of the previous dips of 1967. As of Thursday, the Dow had declined 4.4%, and retraced some 65% of the move from the August low to the September high. This retracement required some thirteen trading days to complete, and thus was in all respects similar to previous corrections, except for the more serious Israeli-crisis drop in May-June.

That decline took eighteen days to complete and constituted a drop of 8.6%. It also erased the entire previous advance, plus a bit more. In this connection, it is interesting to note that the most pessimistic possible downside objective which can be noted for the Dow is around the 875-870 area. Were such a further decline to take place, the total percentage drop would be about the same as the decline last May, and it would also wipe out the entire advance from the August 28th low of 887.73. It is, frankly, difficult to envision too much worse than this at the moment, and there is at least some precedent for the market's basing out and continuing its upswing from around the present level.

Much has been made of the desultory action of the Rail Average during the recent advance, together with the fact that the carrier index declined below its August low last week. This would indeed be serious were it possible to see on the Rails a greater distributional top than now exists. The worst downside objective that can be read for the Dow Rails at the moment is around 248 vs. an intra-day low last week of 250.10. While we would certainly not expect any broad move in the Rails from these levels, a great many individual carriers, along with the averages, are reaching downside objectives, and thus, some consolidation in the group, at least, appears a probability.

The inferior action of the Utilities has also been widely noted. However, here again, both the Dow-Jones and the Standard & Poor's Utility indices appear to be reaching downside objectives at current levels and, while time to form a base will certainly be required, most stocks appear attractively priced despite the severe competition being felt from high-yielding new issues of corporate bonds.

Before leaving the subject of Averages, mention should be made of the broad-based indices such as the New York Stock Exchange Index and the Standard & Poor's 500-Stock Composite. Both of these indices continue to out-perform the more widely-discussed Dow and had, as of last week, formed only minor tops, the objectives of which they were approaching at the week's low.

It is possible, therefore, especially after last week's correction, to view the general market outlook with some equanimity. The same is not true of all individual stocks. The lesson has been driven home over the past few months that the stock market is not a one-way street, or a means for the manufacture of instant profits without dint of effort or intelligence. The number of stocks that are below their highs of three to six months ago -- some of them a good deal below -- is legion, and it is quite possible that, in a number of cases, lower prices will be seen before the old highs are again attained. It is characteristic of any upswing that a large number of issues reach their peaks rather early in the game, and it is certainly probable that a substantial minority of individual issues have already seen their highs for some time. Indeed, even in most carefully selected portfolios, "problem stocks" are beginning to appear with increasing frequency.

All this, as we have pointed out in previous letters, is normal, and it is incumbent on the investor to make the changes in his portfolio necessary to take advantage of shifting market leadership. Meanwhile, we are inclined to view the general outlook for equities as remaining reasonably favorable. The bull market may be entering a fairly robust middle age, but we doubt if it is approaching senility.

Dow-Jones Ind. - 908.58
Dow-Jones Rails - 251.55

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