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TABELL'S MARKET LETTER January 19, 1968

The word "crosscurrents" is, we are afraid, an overworked one in the market letter writer's lexicon, one we must personally confess we are most often tempted to use at times when the financial waters are so muddied as to make a prediction difficult or impossible. Yet, we fail to see at the moment how any other word is more descriptive of the conflicting forces that appear at the present time to be tugging the market in many different directions simultaneously.

To begin with, of course, we have the volume, the persistent avalanche of trading activity which has again forced the Exchanges to institute a shortened session -- this time for an indefinite period ---in order to relieve the pressure on the harried staffs of member firm back offices. As a function of trading activity, we have the speculation, most particularly on the American Stock Exchange, where trading has reached all-time record levels, resulting in stern warnings to the investment community on the part of the authorities concerned.

Accompanying the frenetic level of trading is the important testing level reached by the Dow-Jones Industrial Average at its high of 921.87 on January 9th. To understand the cruciality of this level, a recapitulation of recent market history is in order.

There is no doubt that the upswing which began in October 1966 at 735.74 in the Dow and carried to a high of 951.57 at the end of September 1967 can be characterized historically as a major upswing. Although the Dow failed, at its peak, to make a new historic high, it was the only important average not to do so and it is the sheerest sort of sophistry to call this upswing anything other than a major bull market. The only interruptions in this upswing were relatively minor in scope, and with a single exception, the whole advance was characterized by the series of higher highs and lows typical of a dynamic upward move.

As we have previously noted, this environment changed radically with the decline of October, 1967. Not only did this drop carry well below the previous low made in August, but it brought the Dow back to its level of last February. Since the obvious oversold condition at the end of last year, the market has, generally, rallied, but, to date, not to a new high -- the January peak of 921.87 being considerably below the September 1967 high of 951.57. This is particularly disturbing in view of two factors -- the overbought condition of most of our short-term indicators as of a week ago and the fact that this overbought condition has not, so far, been substantially corrected. All of this would seem to suggest the further extension of a short-term decline from a level that would call into question the entire structure of the uptrend which started 15 months ago. Such a development would be particularly disturbing in that it would abort the traditional year-end rally at an early stage with the consequent unfavorable interpretations discussed in our letter of three weeks ago.

Yet, and this is what we mean about crosscurrents, it is impossible to look at the technical patterns of individual stocks and become widely concerned about the general level of the stock market -- in particular the Dow-Jones Industrial Average. As a matter of fact, from a technical point of view, it would be difficult to find any group of 30 stocks that looks, as a group, less vulnerable than the 30 components of the Dow. Unexciting and dull are adjectives that might be applied to many of these issues, but exploited and vulnerable? -- well hardly.

Nor do either of the two other Dow averages mirror the Industrial pattern. The Rails have reached their downside objective and are patently somewhere in the process of forming a base -- a process that will probably take some time. And the Utilities, largely unnoticed by many, recently were up 22% from their November low, a performance which, if duplicated by the Industrials, would have had that average at around 1030. In the process, they have moved through their trading range of last Summer and definitely erased the downtrend that has been in effect since last Spring.

Perhaps the most interesting sidelight is that all three indices were, at today's closing levels, within 1% either way of their highs of last March despite the fact that the three patterns are totally different. Here perhaps lies the clue for today's rather confusing market. Essentially, in the past ten months, the popular indices have done nothing, yet it has been a ten-month period in which highly respectable investment results were not only attainable but commonplace. It is equally likely that, wherever the averages may be ten months from now, there are a great many individual issues which will, then, be considerably higher.

Dow-Jones Ind. 880.32
Dow-Jones Rails 233.09

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