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TABELL'S MARKET LETTER April 5, 1968

During the past six days, the march of world events has compressed more drama, surprise, hope and tragedy into a shorter time span than, a week ago, would have been thought possible. Invariably, some of this drama spilled over into the nation's financial market.

On Sunday night, President Johnson announced his dramatic decision not to seek re-election and to press for a cessation of hostilities in Vietnam. The response of the stock market on Monday was instantaneous. Stocks rose on a broad front with the Dow-Jones Industrial Average advancing some 20 points. In the process, perhaps the last of the 1929 record went into the ashbin, as trading volume soared to 17,730,000 shares, eclipsing the old high on black Tuesday almost 39 years before. With opening prices almost invariably well above the previous Friday's high, a "break away gap" was created on the chart of the Dow, and the other popular indices.

Normal action following such a formation is for a few days of quiet trading in order to digest the gain. The market began to follow this sort of scenario on Tuesday, but renewed buying pressure took over by afternoon, and the list closed with further plus signs. Then on Wednesday came Hanoi's agreement to talk and the volume record which had taken 39 years to break was sheared again in just two days with a record of 19,290,000 shares changing hands in another advancing session. Thursday's 14,340,000-share volume, which would have been front page news at any other time, appeared almost a respite. Sobered by the lunatic act in Memphis, Friday's volume slowed and the Dow Industrial declined almost 7 points. The intra-day high reached by the Dow on April 3rd was 883.38, an advance of 8% in nine trading days from the low of 817.61 on March 22nd.

Insofar as the market is concerned, it is as good a time as any to recall the Biblical injunction about rendering unto Caesar, etc. etc. The advance of the week will have a profound effect on the future of the society of which the market is, after all, only one small facet. From the point of view of the market, technically, the 1st of April, 1968, provides just one more example of an interesting phenomenon, i.e., the market seizing upon dramatic outside events to do just precisely what it was in a technical position to do in the first place.

As has been pointed out previously in this letter, the Dow has, since mid-February, been holding in a trading range bounded roughly between 820 and 850. It had been suggested that an upside breakout from this range could produce a move to around the 880 level. That was precisely what happened during the week within a cycle that, otherwise, might have taken longer to complete being squeezed into four short trading days.

As to the future, with a short-term objective having been reached, a new pattern will now have to form. Of significance is the longer trading range in which the Dow has held since last October. Bounded on the upside by the January 1968 peak of 921.87, the ability to consolidate around current levels followed by a successful assault on that high would be tremendously constructive and could well be a precursor of a move into new high territory for most indices.

There are a number of encouraging signs which suggest this pattern as a possibility. Most of them center around the strength of last week's rally, both in terms of percentage advance and, obviously, of volume. It is this thing which differentiates the present advancing phase from, say, the tepid rallies which occurred in the Spring and Summer of 1966.

A final word on the volume. In a sense, no real trading record was broken at all this week. Volume is, after all, meaningful only in relation to the total number of shares listed. The 16,000,000 shares that traded on October 29, 1929 constituted 1.3% of the total list. An equal turnover would produce a volume of 150,000,000 shares. However, an examination of turnover figures for recent years is rather interesting. By and large, turnover had been in a steady downtrend for 30 years following 1929. Recently, however, there have been signs that this trend has been reversed, 1967 being the fourth consecutive year in which annual turnover increased drastically -- the first such occurrence since the 1920's. It should also be noted that the record breaking volume of the past week took place on the upside -- interesting in view of the fact that it is selling climaxes which tend to produce peak volume. Given a continued secular increase in the rate of turnover, and the fact that selling climaxes will continue to be a fact of market life, the next few years will undoubtedly see occasional days which will make Wednesday's trading pace seem relatively pastoral.

Dow-Jones Ind. 865.81
Dow-Jones Rails 223.90

ANTHONY W. TABELL
WALSTON & CO. INC.

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