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TABELL'S MARKET LETTER February 7, 1969

One of the many old Wall Street saws is "Never sell a dull market". Based on the activity in the last dozen or so sessions, the present market, if the adage is true, rates as one of the least likely candidates for sale in recent history.

Dullness has, without a doubt, been the watchword. The Dow-Jones Industrial Average closed the session of January 23rd at 940.20. Friday's close was 947.85. In the intervening eleven sessions the total net change was plus or minus less than two points in nine of them. Even more symptomatic of the dullness have been the advance-decline statistics. Over the eleven sessions, the highest number of individual advances scored has been 686 and the lowest 617. Declining stocks have ranged from a high of 714 to a low of 628. Volume has remained reasonably high, but the evidence of any distinct price trend in either direction has, to date, been negligible.

Three weeks ago in this space, shortly after the January low was made, we suggested that, while a short-term bottom had probably been reached, there was no way of knowing what shape the eventual base for the next advance might take. At that time we said "A number of questions..... remain unanswered. These center, by and large, on the eventual shape of the base for the next advance. One possibility would be a continued drift in the 920-940 area, perhaps even involving modestly lower lows for the averages. Another possibility would be a move back to around the 950 level and extension of the base at that point." Unfortunately, in the intervening period, the market has failed to accommodate us by supplying any conclusive answer to the dilemma. Short-term timing guides had moved, as of last week, from their deeply oversold position into just slightly overbought territory and have, as of the moment, retreated from there to a neutral status. Volume figures are such as to support a continued advance, but with no clearcut indication that such an advance is in the cards. In the major averages, very short-term price targets have, by and large, been reached.

It should be made clear that what is being called into question here is only the immediate trend -- not the outlook for the intermediate to longer term. This we believe to be constructive. Our current "model" for the market assumes that a major advance began in mid-1968 and that this advance, in turn, was a resumption of the longer-term uptrend which had started in October 1966. We feel that the advance will continue to new high territory before any serious interruption takes place. The question at the moment, as it so often is, is what will take place in the interim?

As noted above, the Industrial Average has afforded us precious little in the way of a clue. Where, then, shall we seek a portent? The answer may be provided by a glance at the action of the three Dow-Jones Averages since the advance began last August. Inspection shows that the Rails and Utilities have been showing rather different action than the more-widely-followed Industrials in recent weeks. All three came off major base areas from their August lows to highs in December, the Utilities waiting a bit longer (until October) to get off the ground and compressing most of their move into a short period in mid-November. The Rail and Industrial averages scored almost identical 15% advances with the Utilities lagging behind at 10%. All three averages declined by similar amounts (around 8%) in January, and, at their lows, had returned to strong support levels. At these levels, both Industrials and Rails were about 6% above their August lows. Since the January lows, however, both Utilities and Rails have strongly out-performed the Industrials. The Rails have advanced almost 9%, and the Utilities almost 6%, versus a 4% rise in the Industrial Index. As a result, the Rails chalked up a new all-time high on Thursday and the Utilities were within an ace of making a three-year peak. The Industrials, by contrast, were still 4% under their December level.

It will be worthwhile, therefore, to watch the action of the Rails and Utilities closely. Continued ability of the former to move ahead, coupled with new highs in the electric company index, would be a constructive sign indicating that the Industrials might, in due course, follow along. Failure of these two indices to follow through might, conversely, indicate a weaker immediate market tone.

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Dow-Jones Ind. 947.85
Dow-Jones Rails 279.88

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