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TABELL'S MARKET LETTER

May 2, 1969

As so often happens in the stock market, lethargy came to an end this week and was replaced by fireworks. Following three days of rather grudging strength, the Dow-Jones Industrial Average scored a 9-point advance on Tuesday and followed this up with an even more spectacular Wednesday performance, advancing some 16 points on a trading volume of 19,350,000 shares. This volume was all the more outstanding considering its achievement in an abbreviated 4-hour session. Had the same pace been maintained throughout a standard 5 1/2-hour trading day, total volume would have been a record 26,300,000 shares. After consolidation on Thursday, strength on the week's final day continued the gain with an intraday high of 961.68 being reached.

Where does all this leave the market at the moment? It is a truism to say that the short-term trend must now be defined as being up. But this is, actually, the major change brought about by last week's manifestation of strength. Late in March, the downtrend, which had remained in effect through December, January and February, was broken, and throughout April's sideways action, the short-term picture had to be characterized as uncertain. Although, by last month, the selling pressure which had brought about the December-February decline had almost completely disappeared, the market was still unable to mount any worthwhile action on the upside. This picture changed dramatically with Tuesday's and Wednesday's heavy upside trading volume and moved the short-term picture from one of uncertainty to one of a rather clearly defined upward trend.

How far can such a trend continue? In terms of the Dow-Jones Industrials, a logical upside target would center around the 995 level. This figure is persuasive for a number of reasons. It is, first of all, the upside objective of the point and figure base formed in the 900-938 range throughout early 1969 -- a range which has now been decisively penetrated on the upside. Secondly, it involves a test of the old highs just under 1000, which turned back the Dow first in February 1966 and then again in December of last year. Thirdly, there is historical precedent for expecting the first leg of a new upswing to retrace the previous downswing and then consolidate. Thus, unless a new pattern forms, changing the picture, an attack on the 1000 level becomes the minimum market expectation.

There are, moreover, persuasive reasons for believing that such an attack could be ultimately successful and produce new record high levels for the Dow. The higher longer-term objectives for this index have been mentioned before in this letter, and they still exist. They existed, indeed, throughout the last four months' weakness, and they continue to be valid today. In other words, the long-term picture, as contrasted with the shorter and intermediate-term, was bullish when the Dow last made a high in December, continued so throughout the subsequent short-term downtrend, and remains so now that that downtrend is probably over. This letter continues to believe that the market remains in the confines of a long-term basic uptrend which began in October 1966, and which, despite the vicissitudes which have occurred in the interim, was never seriously breached.

On two occasions in the past 2 1/2 years, of course, sufficient deterioration was exhibited to cause serious doubts to be raised. The first such occasion was early 1968, and the second -- coincidentally, just about a year later --was early 1969. For the past few months this letter has been pointing out the serious deterioration that was evident. History bears us out, however, in the presumption that it is almost always advisable to wait for totally definitive evidence before assuming the existence of a major downtrend. The evidence, to our mind, never became definitive at any time during the past 2 1/2 years.

In summary, then, we are now in a period when both short-term and the long-term trends are positive. The intermediate-term picture is still clouded. The upswing from the February lows is still not great enough to be defined as being intermediate-term in stature, and the previous intermediate uptrend was broken in early January. Thus, some uncertainty still exists in the picture and will be resolved only by coming events. Meanwhile, however, the policy suggested by this letter in recent months -- that of full investment in highgrade securities -- should begin to offer tangible rewards.

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Dow-Jones Ind. 957.17
Dow-Jones Rails 237.36

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