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TABELL'S MARKET LETTER November 28, 1969

It would be impossible for anyone, save for the most insufferable Pollyanna, to describe last week's market action as good. Nonetheless, even with the market having declined in 9 of the past 13 trading sessions, and the Dow again flirting with the 800 level, one cannot resist the temptation to wonder how bad the market's action really was.

The answer would seem to depend, by and large, on where one looks. As mentioned above, the Dow-Jones Industrials, the most widely followed of market indicators, have returned to within an ace of the abysmal depths in which they sold at the end of last July. In the process, almost all of the October rally from an intra-day low of 793.95 to the November high of 871.88, has been retraced. Those bearishly inclined can find further fodder for their pessimism in the action of the Dow-Jones Rails which plummeted last week to a 3-year low of 184.39, and were coming close to violating their 1966 low of 181.97.

Yet, it is also possible to cite indicators proving that the last fortnight has not been all that unmitigated a disaster. The Standard & Poor's Stock Index, for example had, at its week's low of 92.24 retraced only 62% of its advance from a low of 88.04 in July to a high of 99.23 early last month. Similar action was evidenced by the Standard & Poor's-425 and the New York Stock Exchange indices.

The above exercise is, of course, a perfectly valid illustration of the limitations of market averages and stimulates the unoriginal thought that investors own not averages, but stocks. It is always easy to define what averages are doing simply by citing their levels. With more than 2000 stocks listed on the New York and American Stock Exchanges, it becomes a bit more difficult to quantify what different stocks are doing at a given time, and in what relative numbers.

Nonetheless, it is fairly easy to cite a few figures to prove that the Dow Industrials are, at the moment, misleading us as to the level of the market. If we look only at the Dow, the market is, as noted above, back to its levels of last July. The number of individual stocks showing a comparable pattern, however, is relatively minuscule. This can be illustrated by the following table which divides the market since mid-July into nine phases -- five declines and four rallies. Each of the declines started at around 840-860 on the Dow and bottomed out at or above the 800 level. The left-hand column shows a series of 10-point ranges for the Dow close, and the numbers in each of the following nine columns show the average number of new highs and new lows for each day during the market phase that the Dow closed within that range. A glance at the table evidences the changing character of the market since last Summer.

DJ Close	Decline 7-16 - 7/30	Rally 7/31 - 8/7	Decline 8/8 - 8/13	Rally 8/14 - 9/2	Decline 9/3 - 9/9	Rally 9/10 - 9/24	Decline 9/25 - 10/8	Rally 10/10 - 11/10	Decline 11/11 - 11/26
830-840	3-291	-	-	21-44	4-58	38-78	-	69-24	7-71
820-830	3-368	6-55	7-64	14-56	3-83	20-80	11-99	51-26	1-92
810-820	2-416	2-131	2-81	13-56	5-129	-	4-158	58-50	3-154
800-810	0-685	-	3-117	-	-	-	12-99	28-77	4-130

The first time the Dow reached the 800-810 area in July, the average number of stocks making new lows was 685. On the next move to this range, only 117 stocks on the average made new lows, followed by an average of 99 in September and 130 at the moment. Similar figures can be seen for other market levels and, in addition, the increasing number of stocks making new highs on rallies is readily apparent. Quite patently, to say that the market has returned to its levels of last Summer does not constitute telling the full story.

There is nothing, in other words, in the action of the past few weeks to negate the thesis that we are somewhere in the process of forming a base, this process being defined as a period in which more and more stocks entered defined uptrends and fewer and fewer remain in confirmed downtrends. It is certainly impossible to ignore the virulence of the recent decline or -- now -- to deny the distinct possibility that the Dow, and perhaps some other indices as well, may reach new lows before the base formation process is complete. However, we think the present weakness will prove, historically, to have been part and parcel of a reversal process and not part of an ongoing bear market.

Dow-Jones Ind. 812.30
Dow-Jones Rails 186.64

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