TABELL'S MARKET LETTER

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DIVISION OF

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MEMBER NEW YORK STOCK EXCHANGE, INC
MEMBER AMERICAN STOCK EXCHANGE

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We have referred in recent letters to the fact that 1972 is a Presidential election year and suggested that this fact should be taken into account in trying to foresee the price pattern probabilities for the next 12 months. Numerous studies have been made of market action in such years, and it is an indubitable fact that normal market patterns do tend to be slightly altered. In an effort to tabulate election year action succinctly, we have prepared the following table. It shows, for each year, the President elected and his party, followed by the average price for each month expressed as a percentage of the previous December's close (i.e., 110 means the market was up 10%, and 90 means it was down 10%).

Year	President			Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov	Dec.
1900	McKinley	R		101	103	104	105	100	98	98	99	97	100	108	114
1904	Roosevelt	R		102	99	99	101	99	99	103	107	112	118	125	126
1908	Taft	R		105	100	105	111	117	117	123	126	125	126	134	138
1912	Wilson	D	* #	100	99	102	106	105	105	106	109	109	109	108	103
1916	Wilson	D		99	98	97	96	98	99	98	99	102	105	107	103
1920	Harding	R	* #	99	91	97	96	91	89	89	86	89	89	85	77
1924	Coolidge	R		103	104	102	100	99	101	109	113	112	110	115	119
1928	Hoover	R		99	98	103	110	113	108	108	112	120	123	131	132
1932	Roosevelt	D	* #	103	101	102	76	66	59	63	89	102	88	87	82
1936	Roosevelt	D		102	108	112	112	104	108	116	118	120	126	130	128
1940	Roosevelt	D		99	98	97	98	85	76	80	82	86	87	88	85
1944	Roosevelt	D		102	101	105	101	105	109	112	110	108	111	110	115
1948	Truman	D	*	97	92	94	101	106	110	108	104	103	106	100	99
1952	Eisenhower	R	#	102	100	100	100	100	102	105	106	104	104	105	109
1956	Eisenhower	R	*	97	98	104	105	103	102	107	106	103	102	100	102
1960	Kennedy	D	* #	99	98	92	93	92	96	93	94	92	91	93	97
1964	Johnson	D		102	103	105	107	109	108	111	110	111	113	115	112
1968	Nixon	R	#	98	94	92	99	101	104	104	101	105	108	109	110

*Incumbent party did not control Congress. #Incumbent party not re-elected.

The eighteen years to date show an approximate normal distribution. Ten could be considered bull markets, whereas three (1920, 1932 and 1940) are distinct bear-market years. In five years, the trend was flat, as evidenced by the fact that the December average price was within 5% either way of the previous December's close.

Of even more interest is the general tendency towards a flat trend or moderate weakness during the first half of the year. Ten of the 18 years showed little market change through June. Indeed, only in the three years which later turned out to be full-fledged bear markets was the action in the first half predominantly on the downside. It is worthy of note that a downward bias tends to be introduced on two sorts of occasions. First, when the incumbent President loses the election and, second, when the incumbent party does not control Congress. This latter tendency is especially worthy of note since such a condition obtains in 1972. Despite the fact that 10 of 18 election years were bull-market years, none of the 10 took place in years when the President did not control Congress. In the six years that this has occurred, the market was down sharply twice and flat four times. The first statistic suggests the market may be a good forecaster of election returns. In none of the six years when the incumbent lost the election was the market up more than 5% in the first half of those years. Thus a booming market between now and June would augur well for Mr. Nixon's chances.

The most consistent fact about election-year markets, though, is the definite tendency toward a strong second half. Indeed, as the table shows, in 15 of the 18 years the average price for December was higher than the average price for June. Even in two of the three bear markets, 1932 and 1940, the market rallied in the second half from the June lows. Furthermore, in one of the three exceptions (1912) the June-December difference was miniscule, and the market spent most of the second half in higher territory. Only in 1920 and 1948 were June prices significantly lower than December's.

The problem, of course, is to fit all this into the pattern for 1972. The strength of the recent recovery, it seems to us, argues against the expectation of any serious weakness during the first half of the year. As suggested above, however, the tension between the President and Congress could well produce a market that showed little essential change from December during the first half. During the second half, we would expect the normal tendency toward a strong market to take over and, in this context, it is quite probable that the year's high might be made in the Fall.

Dow-Jones Industrial (12:00 P.M.) 905.48
S&P (12:00 P.M.) 103.20
AWT:mn

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