

**TABELL'S  
MARKET  
LETTER**

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The single question most familiar to anyone in the securities industry is, "What is the market doing?". The problem has always been how to couch the answer. Generally, an average, most commonly the Dow-Jones Industrials, less often the S&P 500, is used as a proxy for the market as a whole. With the growing technical sophistication among the investment community, breadth action is also often cited, with the number of advances and declines being mentioned.

However, in a market consisting of over 3,000 listed stocks, accurate description is always a difficult task and the action of an average can never serve as much more than an approximation of the true state of events. This is especially true at the present time when a discussion of the market's action over the past four months must be presented in terms a great deal more complicated than the simple tracing of a market index.

The action of the Dow since March is fairly simple and straightforward. It reached an intraday peak of 957.03 in the early part of the month, declined moderately and then rallied to a bull market high of 977.72 in mid-April. After a drop in late April and early May, it rallied again and exceeded the previous peak, reaching 979.46 on May 26. Subsequently, it declined into mid-June and this week rallied above the 950 level, fairly close to its previous peaks.

The table below compares this action with that of the S&P 500 stock index. At first glance, the action of the two indices would appear almost identical, with similar peaks and troughs. However, the third column, which shows the ratio of the two (the S&P divided by the Dow) highlights an interesting fact. The decline in this ratio indicates that, since March, the Dow has been outperforming the S&P. This is of more than passing significance. The secular uptrend of the broader average has for many years been better than that of the 30 Industrials. A superior performance by the Dow generally occurs only in down markets.

<u>Dow-Jones Industrial Average</u>	<u>S&amp;P 500</u>	<u>Ratio</u>
957.03	109.75	.1147
924.22	105.86	.1145
977.72	111.11	.1136
917.37	103.83	.1132
979.46	111.48	.1138

Looking at other market indicators, the divergence is even more striking. The Dow Industrials and the S&P made successive new peaks in March, April and May but the Dow-Jones Transportation Index at its May high of 264.33 was a striking 5% below its April peak and last week, while the general market was recovering, the carrier index was sinking to new lows. The Dow-Jones Utilities, moreover, made their high for 1972 back in January and have, essentially, been declining ever since, with the March, April and May highs each at successively lower figures.

There is even a divergence between the American Stock Exchange and New York Stock Exchange. The peak of the Amex Index was made at 28.80 in April and not even approached at 28.10 in May.

It is, moreover, demonstrable that the bulk of individual issues have been showing action quite different than that of the averages. The following table is based on a study of 2897 New York and American Stock Exchange issues at recent prices, dividing these issues into percentiles based on, first, their percentage below their 1972 high and, second, their percentage above their 1972 low.

<u>Percentile</u>	<u>% Below 1972 High</u>	<u>% Above 1972 Low</u>
1-10	3.85 or Less	43.36 or More
11-20	3.85 - 6.78	43.28 - 27.96
21-30	6.80 - 9.64	27.94 - 20.41
31-40	9.65 - 12.50	20.40 - 14.13
41-50	12.50 - 15.37	14.12 - 9.46
51-60	15.38 - 18.41	9.45 - 6.47
61-70	18.42 - 22.29	6.47 - 4.16
71-80	22.32 - 27.54	4.15 - 2.36
81-90	27.59 - 34.78	2.36 - 0.77
91-100	34.78 or More	0.77 or Less

For comparative purposes, the Dow is, at the moment, well within 3% of its 1972 peak. As the table shows, less than 10% of all stocks are as close to that peak, and a good half of all issues are 15% or more below their year's high. Likewise, while the Dow is up almost 8% from its low for the year, almost half of all listed stocks have been unable to equal this figure.

Thus, as we have indicated in past letters, while the action of the Dow has recently been unspectacular, a good deal of underlying deterioration has, in fact, been taking place.

Dow-Jones Industrials (12:00 p.m.) 949.20

S&P (12:00 p.m.) 108.59

AWT:mn

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