

TABELL'S MARKET LETTER

Delafield, Harvey, Tabell

909 STATE ROAD, PRINCETON, NEW JERSEY 08540

DIVISION OF

Janney Montgomery Scott Inc.

MEMBER NEW YORK STOCK EXCHANGE, INC.
MEMBER AMERICAN STOCK EXCHANGE

June 30, 1972

The securities industry is one of the most uncertain of all industries, and, in the light of this uncertainty, it is not surprising that market commentators should seek security in little items of familiar ritual. Many of these ritual events are seasonal, and, as the 4th of July approaches, we are predictably being treated to speculation about the so-called summer rally. Much of this speculation tends to treat the event as a phenomenon comparable to the early tomato crop -- a happening that occurs with unvarying regularity with only the exact date varying slightly. Since almost no two-month period goes by without a market rally of some sort occurring, it is very easy to seize on whatever advance happens to occur in July or August and call it the summer rally. A look at the record indicates that while the summer rally is by no means a mythical beast, some caveats about making it too strong a factor in a market forecast may well be expressed.

Ending Month	ONE-MONTH PERIODS			TWO-MONTH PERIODS		
	Advances	Declines	Avg. % Chge	Advances	Declines	Avg. % Chge
January	30	16	+ 0.75	30	16	+ 2.05
February	25	21	- 0.03	25	21	+ 0.71
March	25	21	- 0.23	22	24	- 0.37
April	26	20	+ 0.94	28	18	+ 0.80
May	24	22	- 0.76	28	18	+ 0.43
June	22	24	+ 0.95	23	23	+ 0.14
July	32	14	+ 2.31	30	16	+ 3.22
August	31	15	+ 1.88	34	12	+ 4.36
September	20	26	- 1.34	27	19	+ 0.47
October	24	22	- 0.54	23	23	- 1.81
November	27	19	+ 0.71	28	18	+ 0.23
December	35	11	+ 1.35	31	15	+ 2.10
Total	321	231	+ 0.50	329	223	+ 1.03

The table above shows the action of the Dow-Jones Industrial Average in every one-month and two-month period from 1926 to 1971. For each period the number of instances when the market advanced and declined is shown, together with the average percentage change for the period. A preliminary look at the table, indeed, supports the notion of a probable summer rally. The average monthly advance for the Dow over the period has been .5% whereas the average performance in July is an advance of 2.31%, more than four times as great. Likewise, the average advance of 4.36% for the two months ended August is four times larger than the average two-month advance. It would, indeed, appear that the expectation of an advancing market during July and August has some solid grounding in fact.

Having made this statement, however, a few doubts must be raised. The first factor which needs to be pointed out is that a large part of the high average advance for the summer period rests on the accident of the 1932 bottom's having occurred at the end of June. Thus, July and August of that year produced the largest two-month advance in stock-market history, an astounding 70% rise. If this single year is eliminated from consideration, the results for July and August are much closer to normal.

Secondly, while it is true that July and August do show significant pluralities of advancing months over declining months, it must be remembered that advancing periods tend to outnumber declining ones over the 46 years by almost three to two. When standard tests of statistical significance are applied, the period with the clearest seasonal action is the month of December, which is why this letter has always emphasized the importance of the year-end rally. Likewise, the tendency toward a declining market in September is statistically more significant than that of a rise in July or August. Interestingly enough, none of the other months show any discernible seasonal pattern whatsoever.

Lastly, in looking for seasonal patterns, it is wise to examine the most recent data to see if it seems to be deviating from the past and, indeed, this is, apparently, the case. The six years between 1966 and 1971 have produced two rallies and four declines in July and four rallies and two declines in August, and the two-month period ended August has produced three rallies and three declines with an average advance of only .6%. Even the familiar December rally appears to have lost its recent reliability, and, interestingly enough, a new seasonal tendency, not heretofore apparent, seems to be emerging -- that of a decline in May-June. Every May, from 1965 through 1972, has produced a declining market and the same is true of every two-month period ending in June.

The moral of the whole exercise, we suppose, is that the stock market is a difficult and changing beast, and, while certain seasonal tendencies are apparent, they constitute only one factor in what is invariably a highly complex equation.

Dow-Jones Industrials (12:00 p.m.) 930.01

S&P (12:00 p.m.) 107.26

AWT:mn

ANTHONY W. TABELL

DELAFIELD, HARVEY, TABELL

No statement or expression of opinion or any other matter herein contained is, or is to be deemed to be, directly or indirectly, an offer or the solicitation of an offer to buy or sell any security referred to or mentioned. The matter is presented merely for the convenience of the subscriber. While we believe the sources of our information to be reliable, we in no way represent or guarantee the accuracy thereof nor of the statements made herein. Any action to be taken by the subscriber should be based on his own investigation and information. Janney Montgomery Scott, Inc., as a corporation, and its officers or employees, may now have, or may later take, positions or trades in respect to any securities mentioned in this or any future issue, and such position may be different from any views now or hereafter expressed in this or any other issue. Janney Montgomery Scott, Inc., which is registered with the SEC as an investment advisor, may give advice to its investment advisory and other customers independently of any statements made in this or in any other issue. Further information on any security mentioned herein is available on request.