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

November 24, 1972

One must react to last week's market as one would to the spectacle of a decorous maiden aunt who had suddenly taken to wearing hot pants and collecting rock records. It was, in the words of 'Adam Smith' in the "Money Game", a roily-boily stock market, with the rather unique facet that the issues doing the roiling and boiling would have been eminently at home in bank trust department portfolios circa 1950. Nonetheless, an exciting stock market is an exciting stock market, regardless of the names providing the excitement, and, by any standards, the market of the past few weeks has qualified. Last week's market saw the Dow, now comfortably above the 1000 level, sailing forward to a new all-time high of 1026.87 with volume running regularly in excess of 20 million shares daily. The strength shown is undoubtedly significant and portends well for the short to intermediate term outlook. However, to our mind, the most significant element about the recent rise is not the rise itself but the shift in market leadership, glimmerings of which had been seen for the past six months, which, last week, became almost painfully obvious.

PERCENT CHANGE

	May 1970-Summer 1972 High	Summer 1972 High-Date	October 1972 Low-Date
Dow-Jones Industrial Average	+55.3	+4.1	+10.7
N.Y.S.E. Industrial Index	+78.0	+1.7	+8.7
Indicator Digest Average	+52.1	-9.5	+5.6
American Stock Exchange Index	+47.3	-7.9	+2.4
NASDAQ Industrial Index	-	-10.8	+3.9

This shift can be illustrated statistically by reference to five of the standard stock market indices, each of these indices providing a fairly decent representation of the market action of a particular class of securities. The Dow-Jones Industrial Average is, of course, representative of large cyclical or moderate-growth industrial companies. The broader New York Stock Exchange Industrial Index includes these companies but also gives considerable weight to the larger-capitalization growth companies which have formed the cornerstone of portfolio policy in recent years. The still broader, unweighted Indicator Digest Average is an accurate representation of the performance of New York Stock Exchange issues as a whole, whereas the American Stock Exchange and NASDAQ Indices are accurate representations of the action of a more speculative class of equities.

As can be seen, the performance of the New York Stock Exchange Index from the inception of the bull market in May 1970 through last summer was distinctly superior to that of any of the other averages. The basic reason for this was the inclusion in that index of the classic growth companies which, over a two-year period, managed to outperform the average issue by a significant degree. In recent months, however, the Dow has quite obviously come into its own. Its advance from its late October low, where the current rise began, is in excess of 10 percent, comfortably better than all the other indicators. The New York Stock Exchange Index has moved up somewhat less and, as a consequence, is only slightly above its late summer high. Equally significant is the fact that the performance of the other three averages on the recent rise has been comparatively desultory, and all of these three indices are considerably below their previous highs despite the fact that the Dow has sailed forth into hitherto uncharted heights. What has happened, in essence, is that the moderate-growth and cyclical blue chips have taken over leadership from the already exploited growth issues. However, there has been absolutely no shift of investment interest into the more speculative areas of secondary New York Stock Exchange stocks, American Stock Exchange issues or Over-the-Counter stocks as shown by the action of the Indicator Digest, American Stock Exchange, and NASDAQ Indices.

From a technical point of view, there appears to be very little point in fighting this tide. Although aggresive investors may feel uncomfortable in such groups as international oils, banks, and utilities, the improving technical action of these and other moderate-growth issues strongly suggests that they will be among the better capital gains vehicles over the intermediate term. Moreover the fact that such issues are still moderately priced by historical standards provides a certain defensive element which seem appropriate at this stage of the market.

In terms of the Dow, various upside objectives are now readable, centering around the 1050-1100 range. Based upon historical precedent, Wednesday's raise in margin requirements should have little effect on these objectives, since previous such raises have tended simply to moderate market advances rather than stifle them. It is possible that at some future stage the advance may be joined by secondary and tertiary issues. However, technical readings at the moment give no indication of this phenomenon's taking place.

Dow-Jones Industrials (12:00 p.m.) 10022.58
S&P (12:00 p.m.) 116.89
AWT:rk

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL