TABELL'S MARKET LETTER

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For some years now, we have studied the familiar seasonal tendency of the stock market to stage a year-end rally, and it has been the custom of this letter each December to point out some of the conclusions that can be derived from a study of this phenomenon. We have suggested that an exhaustive study of chart patterns since the Dow-Jones Industrial Average first was computed in 1897 indicated that such a rally, however miniscule, invariably had taken place.

A number of interesting facts about the market action of the year-end may be noted.

(1) - As stated above, an identifiable year-end rally has taken place in every year since 1897. This rally often has been of great magnitude with advances as great as 28% having been recorded. It also, on occasion, has continued with only minor interruptions for as long as six months into the new year. However, on other occasions, it has been of only a few days' duration, reaching a top extremely early. Thus, in 1960, 1962, and, most recently, in 1970 the rally reached a peak in the first week in January. In 1961, 1964, 1967, and 1971, it continued into February or March. In 1971, the rally continued through mid-March.

(2) - There has been a persistent tendency for the rally to begin early in years when the market has been up, and late in years when the market has been down. In recent upward years, 1959, 1963, and 1967 are examples, the rally commenced from early December. In 1962, 1966 and in 1969, it began late in the year. This year's rally, typically, began in late November.

(3) - The important thing to watch in connection with market action in the early months of the new year is the low for the previous December. This low has been broken in forty-three years out of the past seventy-two. However, in twenty-five of these forty-three cases, it was broken in January and February. Since 1937, it has never been broken later than mid-March, with the single exception of 1965. Thus, if the market is able to hold above its December low for the first 2 1/2 months of the year, chances become good that this low will not be broken. For example, in 1960, 1969 and 1970, the December low was broken early in January. In 1963, 1964, 1967, and 1971, and, most recently, 1972, it never was broken. 1965, as noted above, was unusual with the December, 1964 low of 850.19 being broken in June when the Dow reached an intra-day low of 832.74.

(4) - In years when the December low has been broken, the subsequent trend has been downward two-thirds of the time. 1960, 1962, 1966, and 1969, of course, are typical cases. Again, 1965 was an exception. 1970, of course, was a down year in the first half.

(5) - The magnitude of the rally is an important clue as to the year's market trend. For example, an advance of 10% or more from the December low has been followed by an upward or neutral market in thirty-one of the thirty-six years that such an advance has occurred. An advance of less than 10% from the December low before an identifiable correction takes place has been followed by a downward market in twenty-four of the thirty-six years. 1963, 1964 and 1971, the year-end rally approximated 10%, and in 1972 it was 17%. In 1960, 1962, and 1970, for example, it was less than this figure.

(6) - The length of time in which the rally continues into the new year also is important. For example, in nineteen years the rally continued into March or later. In seventeen of these nineteen years the eventual trend was upward. In 1964 and 1972 the year-end rally continued into March and in 1961, 1963, 1967 and 1971 into February.

In the coming year, therefore, the December low of 1000 is an important point to watch. If this low is broken, it would be a strong indication of probable market weakness. A like indication would be failure of the Dow to advance 10%, or to approximately 1100. On the other hand, if a rally continues into February or March, or reaches above 1100, an extension of the upswing might be indicated.

Dow-Jones Industrial (12:00 p.m.) 1018.36
S&P (12:00 p.m.) 117.75
AWT:rk

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