**TABELL'S MARKET LETTER**

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Random thoughts in a desultory market.

On Being Present at History -- A famous market technician once offered the apparently inane but actually profound observation that "prices are always lowest at their lows." What he was saying, of course, is that major market lows are often precisely identified only by hindsight. We all know, for example, that June 1932, June 1949 and, more recently, May 1970 were historic low points. It is doubtful, however, if the historic nature of these major lows was apparent to many at the precise time they were taking place. The point is that any time that prices plunge to new lows, as they have been doing recently and may do again, it is at least possible that a low of historic proportions is being attained. This may be a thought worth keeping in mind in the months ahead.

On Adam Smith's Birthday -- A group of noted economists recently met in the small Scottish village of Kirkcaldy where Adam Smith was born and where he wrote "An Inquiry Into the Nature and Causes of the Wealth of Nations" some 200 years ago. It was fitting that so many notables should gather to honor one who was the Father of their profession and one of the great minds of modern times. Smith was, of course, one of the first to understand the nature of the market place;and the investor, who, after all, must deal in just such a place, the stock market, should find the 200-year old "Wealth of Nations" more valuable reading than a great deal of what is written on the stock market today. For example, Smith noted that "The market price of every particular commodity is regulated by the proportion between the quantity which is actually brought to market, and the demand of those who are willing to pay the natural price of the commodity which must be paid in order to bring it thither." It is a wisdom that many people forget when discussing stock prices.

On "Index Funds" -- Thursday's Wall Street Journal carried an interesting lead article on the growing number of "index funds", funds which are set up with no other end in view beyond duplicating the performance of a particular market average. This, actually, is not an easy task, as those of us who are familiar with the construction of averages are aware, and to accomplish it efficiently requires extensive computerized manipulation. Whether it is worthwhile is something else again. We, and others, have repeatedly suggested that the secular uptrend which for so long characterized the major averages may, for an appreciable amount of time at least, no longer be present. If this is the case, the long-range return on a portfolio that simply duplicates the average will be sub-par indeed. It will be a pity if all of the effort which is going into establishing these funds produces results which could have been bettered at the nearest savings bank.

On Inside Information -- The Equity Funding case and a few other recent instances have raised serious problems regarding the definition of "inside information" and the methods by which this information, once gleaned, should be disseminated. It appears probable that the whole body of regulations under which the investor must operate will have to cope over the next few years with the redefinition of inside information. It makes us happy to be technicians, since our own input consists exclusively of that most public of all information, stock prices, which are available in copious detail in every major newspaper. Although we will probably continue to be required to contend with those academicians who believe that our analysis of this information is useless, there is little possibility, at the moment at least, that it will be made illegal.

Dow-Jones Industrials (12:00 p.m.) 920.76
S & P Comp. (12:00 p.m.) 106.92
AWT:rk

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