

TABELL'S MARKET LETTER

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Considering the market's sharp short-term oversold condition, Thursday and Friday morning's rally was hardly unsurprising. Certainly more evidence will be needed before projecting a change in the major trend, and a certain amount of risk appears to remain present in equity prices, the crucial question being how much. We have been recently noting in this space the fact that the average stock has, of late, for the first time in almost five years, been acting better than the averages and that we expect this to continue to be the case over the near term, regardless of the market's direction. We have recently conducted a study in which we were attempting to ascertain the maximum possible downside risk in the Dow by calculating individual downside targets for the 30 components. A summary of the technical downside objectives is contained in the following table which gives a recent price, a possible downside target and percentage decline for each stock from current levels if this downside target was to be attained.

Stock	Recent Price	Downside Target	Percent Change	Stock	Recent Price	Downside Target	Percent Change
Allied Chemical	32	30	- 6	Goodyear Tire	20	16	-20
Alcoa	68	57	-16	Intl. Harvester	32	29	-10
American Brands	36	30	-17	Intl. Nickel	31	26	-16
American Can	27	22	-19	Intl. Paper	40	36	-10
Amer. Tel. & Tel.	47	44	- 6	Johns Manville	19	16	-16
Anaconda	20	18	-10	Owens Illinois	32	30	- 6
Bethlehem Steel	25	24	- 4	Procter & Gamble	96	58	-40
Chrysler	23	22	- 4	Sears	94	72	-23
du Pont	154	105	-32	Std. Oil of Calif.	62	52	-16
Eastman Kodak	130	85	-34	Texaco	29	20	-31
Esmark	21	19	-10	Union Carbide	33	30	-10
Exxon	88	68	-22	United Aircraft	26	20	-23
General Electric	60	42	-30	U. S. Steel	28	25	-11
General Foods	23	14	-39	Westinghouse	34	30	-12
General Motors	62	48	-23	Woolworth	20	18	-10

To get the unpleasant news out of the way first, if all of the targets suggested in the above table were reached simultaneously, the average would be 665.86. We shall be quick to state, however, that we do not offer this as a forecast, and indeed, it should be surrounded by a number of caveats including the usual one that the downside objectives are based on technical factors only and, as always, further information on the securities involved is available upon request.

First of all, we have conducted studies in this nature in past downswings and have found that they invariably tend to overstate the downside risk, largely due to the fact that all lows do not tend to be reached on the same day. This overstatement is generally on the magnitude of 10% which would yield a possible worst-case downside target somewhere in the low 700's.

Secondly, due to the statistical ironies of the Dow, the great bulk of the components have a lesser percentage vulnerability than the average itself. A decline to 653 would be a 23% decline from current levels, but the average percentage vulnerability for the 30 stocks is only 16%. Indeed, 11 of the components suggested a downside risk of 10% or less and 19 of the 30, risk of less than 20%. The large potential risk appears to be present in higher priced stocks, and it is these stocks, as we and others have suggested, which carry the highest weight in the Dow.

Further it should be noted that in compiling the study we have tried to use the most pessimistic possible objectives and furthermore we assumed downside breakouts for a great many stocks although these breakouts have not yet, in fact, taken place. Quite obviously, were these downside penetrations not to eventuate, the ultimate risk for the averages would be greatly reduced.

We do not, therefore, as we stated above, intend this study as a forecast, but rather as a measure of the maximum downside vulnerability under the worst possible technical conditions. Its main purpose is to underscore our basic thesis that the risk at this moment in large numbers of individual issues appears to be a great deal less than some of the widely followed indices might suggest.

Dow-Jones Industrials (12:00 p.m.) 867.40

S & P Comp. (12:00 p.m.) 101.85

AWT:rk

ANTHONY W. TABELL

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