TABELL'S MARKET LETTER

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Something is happening. Of that there can be little doubt. The current stock market presents a picture changed quite dramatically from the dreary one which existed last Spring as most indicators plunged to new lows with sickening regularity. Yet before we become unduly excited about this change, it is possibly best to try to quantify it---to see, in other words, in just what ways the present market is different from that of early 1973 and in what ways it remains unaltered.

In terms of the Dow-Jones Industrial Average the market decline from January's closing high of 1051.70 to the closing low of 851.90 just a week ago can be broken down into no fewer than nine distinct phases. These phases consist of declines ranging from just under 4% to just over 9% with an average percentage decline of 6.1%. With one exception each decline produced a new low lower than that of the previous one. The length of each decline in terms of trading days ranges from five through 19 days with the average length being 11 days.

Each drop in turn was followed by a rally. With a single exception, the 23-day advance of July-August, these rallies all lasted between three and six days and involved percentage advances of between 3% and 5%.

The point of this statistical passion play is to point out that market action in August so far fits squarely into this context. The 18-day, 9% decline which characterized the early part of August was nothing more than a repetition of the sort of declining phase we have been seeing all year, and the 3.7%, five-day advance to Wednesday was, so far, just like any of the other rallying phases which have temporarily interrupted the downswing. The details are shown in the table below.

Date	DJIA	% Drop From Last High	Number of Days Decline	% Advance Next Rally	No. Days Next Rally	New Lows
January 11, 1973	1051.70	-	-	-	-	-
February 8, 1973	967.19	-8.0%	19	+3.1%	3	173
February 27, 1973	947.92	-4.9%	9	+3.4%	6	207
March 23, 1973	922.71	-5.8%	12	+3.9%	4	455
April 5, 1973	923.46	-3.7%	5	+4.8%	13	293
May 1, 1973	921.21	-4.8%	13	+3.8%	5	263
May 21, 1973	886.51	-7.3%	9	+5.0%	4	858
June 4, 1973	885.91	-4.8%	5	+4.6%	6	336
June 25, 1973	869.13	-6.2%	9	+7.8%	23	294
August 22, 1973	851.90	-9.1%	18	+3.7%	5	140

And yet, as we said, there is a difference and the difference can be summarized in the right-hand column which shows the number of new lows chalked up on each declining phase. As can be seen this number had been gradually rising through the decline of May 25. Yet though the averages have subsequently moved on to three successively lower bottoms, the number of individual issues making new lows has been slowly drying up. Now this is nothing more than a statistical demonstration of a phenomenon we have been pointing to for some time---the fact that the average stock is finally beginning to act better than averages. The declining number of new lows suggests simply, that significant numbers of issues, battered in the decline so far, have attained downside objectives and are beginning base formations---all this despite the fact that evidence suggesting that a low in the averages has been reached is, to us, still tenuous at best.

Bear markets throughout history have shown significant similarities and equally significant differences. In the last major bear market, that of 1968-1970, the general market bottom was eminently recognizable within a short time after its occurrence. The task of identifying upside leadership for the next bull market was a good deal more difficult, and it was difficult to identify that leadership with any certainty until the market moved ahead from its May lows to completion of the base in October.

Such is not always the case, however. In the decline of 1957, for example, many issues proved resistant to the decline, remained just above substantial base formations, and were easy to identify as potential leadership even while the market was plunging to new lows. We suspect that a similar situation exists today.

The outstanding relative action shown by the cyclical, commodity-type companies which will be the beneficiaries of upward price pressures constitutes a technical signal too strong to be ignored. We feel quite strongly that it is these companies that will provide upside fuel for the next advance, whenever and from whatever low that advance may take place.

Dow-Jones Industrials (12:00 p.m.) 881.70
S & P Comp. (12:00 p.m.) 103.83
AWT:rk

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