

TABELL'S MARKET LETTER

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MEMBER AMERICAN STOCK EXCHANGE

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Market action continues to improve in subtle ways, although not in a convincing enough fashion to suggest that the downswing, in terms of the popular averages at least, is definitely over. This week's rally brought the Dow-Jones Industrial Average back through the 900 level on the upside, the fifth time this year such a penetration had occurred after the Dow had previously traded below 900. Perhaps the most impressive action of the week was that of the Dow Utilities which, on Thursday, posted a whopping 2.6% advance, a fairly astonishing jump for a normally non-volatile index. Breadth figures have also been impressive, with 800 or more issues having advanced for the last six successive days.

Essentially, however, the market dilemma remains the same. The normal signs of a major market bottom failed to manifest themselves in May-June prior to the time market action began to improve. Thus if an effective bottom occurred last summer it is going to be recognizable only somewhat after the fact, and this recognition process will require time. It is, after all, only 11 trading days since the last low in the major indices was posted, and any advance is going to have to develop more staying power than the present one has had a chance to show before a definite turn can be foreseen.

We have been repeatedly pointing out that the major change in the market picture over the past three months centers around the fact that, while in the first half of the year the popular averages had been understating the extent of the market decline, since June they have been understating its strength. A recent study of the action of individual stocks bears out this thesis, which has also been suggested by the action of our cumulative index.

For the first six months of 1973 the Dow declined 11.5% while our unweighted cumulative index declined 30.8%. Looking at the action of all 2853 common issues listed on the New York and American Stock Exchanges corroborates the story told by the unweighted index. Over the first six months only 554 issues acted better than the Dow and 2309 acted worse. Thus the chances of picking an individual stock that was going to outperform the Dow were less than one in five. Over the six-month period only 253 issues actually advanced, on average only one issue in 11. By contrast the 30.8% decline shown by the cumulative index proved to be just about the median performance. 1480 issues acted better than this for the first six months, and 1373 did worse.

Since June the picture has reversed, and again the cumulative index is apparently telling the true story. For the period June 29 - September 5, the Dow is almost unchanged, having advanced a miniscule 0.8%, while the cumulative index has posted a 3.5% gain. 1649 issues, or 57% of the total, have posted better performances than the Dow, and the fact that it is possible to find striking investment performance is underscored by the fact that 595 issues have advanced 20% or more in those two months. The cumulative index's 3.5% advance again proves to be pretty close to the median performance. For the period just 1449 have bettered this rise and 1404 have risen less or declined. As we have said before this is the sort of action we expect to continue, regardless of the performance of the average.

NOTE: In view of the disparity between our unweighted cumulative index and weighted indices we are starting this week the practice of showing the Thursday close of the cumulative index in the lower left-hand corner of this letter along with the Dow and S & P Composite.

Dow-Jones Industrials (12:00 p.m.) 897.80

S & P Comp. (12:00 p.m.) 104.93

Cumulative Index (9/6/73) 688.59

AWT:rk

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