TABELL'S MARKET LETTER

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January 4, 1974

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 around the New Year 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, 1970, and, most recently, in 1973, the rally reached a peak in the first week in January. In 1961, 1964, 1967, and 1971, it continued into February or 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. If the rally this year started on December 5, 1973 will be an exception.

(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-four years out of the past seventy-three. However, in twenty-six of these forty-four 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 1969, 1970, and 1973, 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. 1962, 1966, 1969, and 1973, 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-five of thirty-seven years. 1963, 1964 and 1971, the year-end rally approximated 10%, and in 1972 it was 17%. In 1962, 1970, and 1973, 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.

This year, therefore, the previous December closing low of 788.31 becomes an important reference point to watch. On Thursday of this week the Dow-Jones Industrial Average closed at 880.69. The fact that this average has already advanced 10% must be viewed constructively. If the rally continues into February or March, historically a good market year would be indicated.

Dow-Jones Industrials (12:00 p.m.) 873.92
S & P Comp. (12:00 p.m.) 98.85
Cumulative Index (1/3/74) 604.191
RJS/jb

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