TABELL'S MARKET LETTER

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The market, as measured by the Dow Jones Industrial Average, continues to fluctuate in a range bounded by the support offered by the December base at 840-820 and the year-end rally high of 880. The lateral nature of trading is underscored by the fact that on Thursday, of 1766 issues traded, only 21 made either new highs or new lows for 1973-4. As we have stated in the past, we feel the resolution of this impasse may be on the upside but continue to have some doubts about the validity of any ensuing advance.

As the averages move sideways, individual stocks are beginning to present interesting investment dilemmas. For over a year now, this letter has made no secret of its general bias against relatively high-priced growth favorites and in favor of supposedly cyclical, commodity-related companies. This bias has been based on both technical and fundamental grounds, the technical ones being that most of the first-tier issues, at some time in 1973, initiated major downtrends by breaking down from distributional areas of some significance. The fundamental grounds centered around the fact that the price being paid for basic earning power of cyclical companies, in our view, was ridiculously low, both on an historical basis and in comparison with the much higher prices being paid for growth issues.

As technical patterns develop, it is interesting, however, to note that a great many growth stocks have in the past couple of months ceased to decline and begun to move in lateral trading ranges. If these ranges are penetrated on the upside, fairly substantial short-term moves might ensue although it must be emphasized that in no case would the major downtrend be destroyed, and any rally following upside breakouts from these potential bases would, in most cases, provide a selling opportunity. Since the patterns are fairly uniform, we have tabulated below the statistics on eleven growth favorites showing, in the first three columns, the 1973 high, a recent price and the percentage decline from the high of 1973. The next two columns show the level at which the stock would break out of its recent trading range on the upside and what the upside objective would be were such a breakout to be achieved. It will be noted that in no case do these objectives exceed the 1973 highs and in some cases are considerably below those highs. The final column shows the downside breakout level for the recent trading ranges. Were these new lows to be attained, all of the above, of course, would become nothing more than mere theorizing.

	1973 High	Recent	% Decline	Upside Bkout	Upside Obj.	Downside Bkout
Avon Products	140	61	-56%	68	80-92	50
Burroughs	252	196	-29%	214	235	168
Coca Cola	150	121	-19%	130	135-150	112
Disney	122	45	-63%	50	72	35
Eastman Kodak	150	111	-26%	118	140	100
IBM	360	247	-31%	260	300	220
Int'l. Flavors	50	41	-18%	42	46	32
McDonalds	76	56	-26%	60	76	44
Polaroid	142	80	-43%	82	108	66
Sears Roebuck	122	89	-27%	90	98-104	78
Xerox	170	118	-31%	130	142	106

The patterns for the commodity-related companies, the bulk of which have been in uptrends extending as far back as two years, are considerably less uniform. Some industries, steel for example, show no sign whatever of technical deterioration. Stocks in others, such as aluminum, have potential short-term distributional patterns with the downside breakout in the case of Alcan (36) being 35, with an objective of 30-27 and Alcoa (73) 68 with a possible downside target of 58. Even were these downside breakouts to take place, long-term uptrends would not be destroyed. Paper issues in most cases have already reached short-term downside targets and appear to be attempting to rebase around current levels. In some cases such as chemicals, the picture within the industry is mixed. Monsanto (55) which recently declined from a 1973 high of 75 has reached its downside objective and has already formed a fairly substantial base. Allied Chemical (45) by contrast, has violated a short-term top with a possible downside target in the middle 30's, but this, again, would constitute nothing more than a return to proven support levels.

It should be emphasized again that the possible short-term market change in leadership cited above is at the moment only potential, and there exists no indication that the major downtrends in the growth issues or the major uptrends in the cyclicals are about to be reversed. We do, however, feel that the possibility of short-term strength in growth stocks and some minor weakness in basic industry companies is one that is raised by present technical patterns.

Note: The above comments are based largely on technical factors. Further information on companies mentioned is available on request.

Dow-Jones Industrials (12:00 p.m.) 858.78
S & P Comp. (12:00 p.m.) 96.55
Cumulative Index (1/24/74) 609.36
AWT/jb

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