TABELL'S MARKET LETTER

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We talked last week about the possibility of a "Ford Confidence Boom." If one is to be forthcoming, it was by no means apparent in last week's market, which celebrated President Ford's first week in the White House by plunging to new lows, at least as measured by the Dow-Jones Industrial Average. Actually, the Ford rally, if there was one, took place while Mr. Nixon was still in office and ended apparently, just as President Ford was being sworn in. It was on August, 5, 6 and 7, prior to the resignation speech that the Dow advanced a total of 45 points. Starting on Thursday, August 8, the evening President Nixon resigned, and continuing through the Ford accession on Friday, to his speech to Congress on Monday, the market gave up all the ground gained and lost sixty points in six trading sessions through yesterday.

Reasons for encouragement in the market's action are, admittedly, sparse. There was, indeed, a great deal of technical vigor to the rally, and, interestingly enough, that vigor continued past the rally peak a week ago. The Thursday decline, for example, saw more advancing stocks than declining stocks despite a 1 1/2% drop in the Dow, only the seventh time this has occurred in the past 47 years. Market breadth continued fairly good on Friday and Monday despite the sharp drops on those two days. On Tuesday and Wednesday, however, the decline began to develop steam as breadth deteriorated sharply, and other signs of internal technical weakness made themselves manifest.

There were, indeed, a few signs that the stories being told by the Dow and by the S & P 500 were a bit more pessimistic than the true action of the market. Our own Cumulative Index followed the popular averages into new low territory on Wednesday but it can be said, at least, that it is now moving concurrently with the Dow rather than leading it as it had been doing ever since last spring. Some confidence may also be gleaned from the fact that, as of this writing at least, both the Transportation and Utility averages have failed to follow the Industrials into new low territory, with the contracyclical action of the utilities being better technical strength than this index has been able to exhibit for some time. Likewise, the number of daily new lows, which peaked at 197 on Wednesday of this week, constitutes a low figure, considering the position of the market averages.

It is not our purpose here to emulate Pollyanna. The market is, indeed, sinking to new lows and there is no strong technical evidence that it will not, in fact, proceed lower yet. Indeed, the lower downside objectives that exist for most averages were outlined in this letter in the early part of July. We cannot avoid the feeling, however, that the really vicious area of decline is being restricted at the moment to the over-exploited growth issues. We have been regaling our readers ad nauseam for the past two years with the fact that we considered these issues to be over-priced in relation to the obvious values available in the rest of the market, so we can hardly say that this action is surprising. Even in the growth area, however, a number of stocks are beginning to approach major long-term downside objectives. Once this takes place, considering the already depressed nature of the bulk of the list, it is difficult to envision where the market will find further downside leadership.

We have commented in the past on the phrase, turned by another technician which states that "the market is always lowest at the low." A moment's reflection will reveal the fact that there is, indeed, a grain of wisdom in this apparently inane statement, in that history will undoubtedly some day show that <u>one</u> of the sickening plunges to new lows that have been part of the stock market experience since 1973 was, indeed, the last one. It will also have represented one of the better buying opportunities of the past few years, but, if history is any guide, this will not be recognized in many quarters until a great deal after the fact.

Dow-Jones Industrials (12:00 p.m.) 735.22
S & P Comp. (12:00 p.m.) 76.17
Cumulative Index (8/15/74) 439.76
AWT/jb

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