

# TABELL'S MARKET LETTER

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November 7, 1975

After spending the latter part of October and early November declining from its late-October high, the stock market rallied in the latter part of this week's trading and moved up toward a renewed attack on that high. In terms of the Dow-Jones Industrial Average, a peak of 855.16 had been reached on October 23, this being followed by a dip to a closing low of 825.72 late Monday. The remainder of the week saw an irregularly upward move to a Thursday close of 840.92. Our own reading of the market's probable short and intermediate-term direction would be that, over the short term, the market is likely to go lower, although not, in all probability, that much lower, and that, over the intermediate term, it is likely to move higher --- again, in all probability, not that much higher. This thinking is engendered by the fact that the tops formed in the last two weeks of October on most indices suggest lows moderately below those reached early this week and by the fact that the upside implications of the July-September base likewise suggest higher levels than have already been attained, implications which, as we have pointed out in past issues of this letter, suggest at the least a test of last summer's highs.

This sort of thinking is also supported by the general behavior pattern of the market since last summer. Regarding this behavior, two facts are particularly relevant. The first is that the 55-day, July-October decline amounted to an 11% drop in terms of the Dow, and the second is that it is now 88 trading days since the Dow-Jones Industrial Average last made a new high. These two facts, looked at in the light of history, suggest two conclusions. The first that the market may well make a new high above the July level but that that high is unlikely to be significantly above the July peak, and, secondly, that this whole process may have a good deal longer to go in point of time.

If one is willing to define a decline of greater than 7 1/2% as being intermediate-term in scope, the following table presents some relevant facts for the six major bull markets since 1949. The first two columns show the start date and the Dow-Jones Industrial Average on that date for each bull market. The second three columns show the date, the Dow and the number of trading days to the high prior to the first 7 1/2%-or-greater correction. The next three columns show the date, the Dow and the number of trading days later that the final bull-market high occurred, and the last column shows the percentage of the total move that had taken place at the first high.

		FIRST HIGH			FINAL HIGH			% of
Date	DJIA	Date	DJIA	No. Days	Date	DJIA	No. Days	move at first high
6/13/49	161.60	6/12/50	228.36	282	1/5/53	293.79	705	50
9/14/53	255.49	9/23/55	487.45	510	8/2/56	520.95	216	87
10/22/57	419.79	8/3/59	678.10	448	12/13/61	734.91	595	82
6/26/62	535.76	5/14/65	939.62	726	2/9/66	995.15	187	88
10/7/66	744.32	0/25/67	943.08	242	12/3/68	985.21	276	83
5/26/70	631.16	4/28/71	950.82	234	1/11/73	1051.70	431	76

The results are, indeed, rather interesting. As the final column clearly shows, with the single exception of 1949-53, anywhere from 76% to 88% of the total move had taken place at the high prior to the first intermediate-term correction. If the 304 points which the market gained from its December, 1974 low of 577.60 to its July high of 881.81 constitute 80% of the total move, it would then be unrealistic to expect that high to be exceeded by much more than 75 points and, possibly, a good deal less.

However, it is also interesting to note that all of the previous bull markets under study had a good deal longer life in terms of time after the first intermediate-term drop. The shortest continuation was for nine months, from May, 1965, through February, 1966, but, as the table shows, other continuations have lasted for as long as two years. Thus, the available figures would suggest that, while the upside dynamics for the market are unlikely to be as great from here on out as they were in the first half of 1975, a good deal of time may lie ahead before serious general market weakness can be expected.

Dow-Jones Industrials (12:00 p.m.) 836.67  
S & P Comp. (12:00 p.m.) 89.43  
Cumulative Index (11/6/75) 492.20  
AWT/jb

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