TABELL'S MARKET LETTER

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A basic raison d'etre for technical analysis is the fact that there are two distinct and separate inputs to a stock price. The first of these is available fundamental information, both of a factual and a forecast nature. The second is investor expectations, which are not homogenous and may vary widely over time. Since it would be difficult, if not impossible, to poll investors to ascertain the state of those expectations, the only recourse available is to study their expression in price action. Thus, the profession of technical analysis.

No judgment is made by the technician as to whether self-evident expectations are correct or incorrect. What is interesting, however, is that they are often widely at variance with accepted forecasts. Thus, for example, stock prices enjoyed one of the sharpest six-month rises in history in the first half of 1975 in the face of an ongoing recession with no bottom clearly in sight, and when, at mid-1975, the recession's bottom became apparent, they began moving sideways. The purpose of today's exercise is to attempt to draw a few generalities as to the current state of investor expectations and the areas in which those expectations are finding focus.

The following two lists of industry groups are based on intermediate-term relative strength comparisons covering, roughly, the past thirty weeks with more recent data given heavier weight. Without going into details of computation, it is possible, simply, to say that the groups in the left-hand list, labeled "stronger", have been acting better than the market and the groups in the right-hand list, somewhat worse than the market. This contrasting action seems to shed light on investor thinking in a number of areas.

Stronger		Weaker	
Apparel	Hotel-Motel	Aluminum	Gold
Appliances	Meat Packing	Banks	Life Insurance
Autos	Motion Pictures	Bldg. Material	Mobile Homes
Chemicals	Paper	Bus. Machines	Offshore Drilling
Dept. Stores	Shoes	Coal	Oil-Crude Producers
Food	Synthetic Fibers	Copper	R.E.I.T.
Food Chains	Variety Stores	Drugs	Savings & Loan
Grocers	Utilities	Finance Cos.	
Home Furnish.			

Energy. Included in the left-hand list are a number of groups which, at first glance, appear to have absolutely nothing in common, Autos, Chemicals, Food Chains, Hotel-Motel and Utilities, and, yet, they all share a common thread --- the fact that in one way or another, they are beneficiaries of lower fuel prices. On the other hand, in the list of groups that have been acting worse than the market, obviously such industries as Coal, Crude Oil Producers and Offshore Drilling would be affected detrimentally by widely-available lower-priced oil. This phenomenon is especially interesting since no one that we know of is, indeed, forecasting lower oil prices. Yet, such an expectation seems to be built into the marketplace.

Consumer Spending. Forecasts as to outlook for consumer spending in 1976 vary widely, and there are broad differences of opinion. The stock market, however, apparently suffers from no such dichotomy. Apparel, Appliances, Department Stores, Food, Grocers, Home Furnishings, Shoes, Synthetic Fibers and Variety Stores are all areas of industry that would benefit from a sharp upsurge in consumer spending. Yet on the other hand, the market is currently telling us that one area in which it does not expect increased consumer spending is in the home building area with Building Material stocks and, concurrently, Mobile Homes, showing below-average action.

Basic Industries. In contrast with the improving outlook for consumer goods, stock buyers apparently have some doubt about the capital goods outlook, as witness the weakness in Aluminum, Copper, etc. These problems, of course, may be only temporary, since it is difficult to see how a sustained consumer-spending surge could fail to spill over into the capital-goods area.

Finance. The market is apparently still expressing some skepticism about companies essentially in the money business, whether due to New York City's financial troubles or whatever reason. As can be seen, Finance Companies, Life Insurance, Savings and Loans and Banks are conspicuous by their presence in the list of weaker groups.

High P/E Ratios. Skepticism apparently continues as regards stocks with relatively high price-earnings ratios. Such industries as Drugs and Business Machines are conspicuous by their presence in the weaker list.

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

Dow-Jones Industrials (12:00 p.m.) 840.29
S & P Comp. (12:00 p.m.) 89.38
Cumulative Index (11/20/75) 487.23
AWT/jb

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