

TABELL'S MARKET LETTER

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We have been remarking in past issues of this letter on our view that the significant element in the 1976 market advance was not so much the rise of the averages, as dynamic as that advance, in fact, has been, but the fact that leadership was broadening to include large numbers of secondary issues, stocks not included in the major market indices. We included last week a representative list of such issues which had above-average technical patterns. It is also possible to document the widening leadership in the market by referring to market breadth statistics.

As most readers of this letter will be aware, these statistics relate to the number of stocks which advance and decline on a given day. The normal use of breadth statistics is in the forecasting of market tops, and they constitute one of the most valuable tools for this purpose. Inferior breadth at a time when the averages are making new highs has been a generally useful indicator of impending market weakness. Breadth figures can also be used, however, to document the dynamics of an advance and they are, indeed, doing so in the present instance.

In the following table, we have taken the two most recent market periods, that of the second half of 1975, when the market was undergoing a consolidation, and that of the rise from January 1, 1976, through last Wednesday. We have divided the trading days in the two periods into five categories, those days on which the Dow was up 10 points or more, those on which it was up 5-10 points, those on which it was up under five points, days when it was down five points or less and days when it was down five points or more. For each of these five categories, we have averaged the number of advances and the number of declines. As the table quite clearly shows, the difference between the two periods is striking.

| DJIA Change | Jul. 15, 1975 - Dec. 31, 1975 | | | Jan. 1, 1976 - Feb. 18, 1976 | | |
|-------------|-------------------------------|-----------|---------------|------------------------------|-----------|---------------|
| | No. Days | Avg. Adv. | Avg. Declines | No. Days | Avg. Adv. | Avg. Declines |
| +10 or more | 10 | 998 | 388 | 8 | 1236 | 353 |
| +5 to +10 | 18 | 918 | 466 | 8 | 1011 | 503 |
| Unch to +5 | 29 | 711 | 644 | 5 | 1007 | 524 |
| -5 to Unch | 27 | 633 | 715 | 4 | 760 | 742 |
| -5 or more | 36 | 405 | 982 | 8 | 619 | 901 |

In the second half of 1975, days which had 10-point or greater rallies in the Dow averaged less than 1000 advancing stocks, and only five of the ten such days actually showed better than 1000 rising issues. For 1976, 10-point-advance days produced from 1038 to 1466 advancing issues. It is further interesting that during the 1976 period all days when the Dow was up averaged in excess of 1000 advances, and there was no day where a rising Dow failed to produce 900 advancing stocks or more. By contrast, in later 1975, days when the Dow increased but more issues declined than advanced were a fairly common occurrence.

The record of 1976 has been even more spectacular when we look at declining days. The four days this year when the Dow was off by five points or less actually averaged more advances than declines, and even on those eight days so far this year when the average declined by five points or more, the breadth showing was fairly good, with an average number of advancing issues of 619 and an average number of declines of 901. There were, indeed, two days in the latter category on which advances actually exceeded declines and, on the worst day of 1976 so far, February 5, when the Dow dropped by 11.14 points, a respectable 480 issues closed higher on the day.

What breadth figures quite clearly show at this point is that, regardless of what the averages may do, a significant number of stocks are performing extremely well on the upside. As long as this sort of action continues, it would be unwise, in our view, to take an overly cautious attitude toward the stock market.

Dow-Jones Industrials (12:00 p.m.) 986.38
S & P Comp. (12:00 p.m.) 102.18
Cumulative Index (2/19/76) 614.76
AWT/jb

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