**TABELL'S MARKET LETTER**

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Now that the meteoric rate of advance which started in 1976 has slowed somewhat, it is perhaps worthwhile to step back a bit and attempt to assess, in broad perspective, the meaning of the rise for the long-term future of the stock market. To attain this broad perspective, we must stress once more what we have repeatedly emphasized as the most important single technical fact regarding stock market action over the past decade --- the flat secular trend of the equity market.

As we have repeatedly noted in these letters, since the middle 1960's, more than 10 years now, the bulk of trading on the Dow-Jones Industrial Average has centered between 800 and 950 with occasional excursions to around 1000 as in 1966, 1972 and the present and occasional equally temporary dips to the 600-700 range as in 1970 and late 1974. The trend of the Dow since 1966 can be described as being flat with a slight downward bias, while the trend of the more broadly based indices has been flat with an equally slight upward bias. All this is in marked contrast to the period 1942-1966 when the Dow, on a secular basis, advanced at an average rate of 8.9% per year. It must be stressed that what we are talking about here are not bull and bear markets in the conventional meaning of the term. There have been plenty of both in the last decade including some doozies in both directions. What we are referring to is the broad, secular trend against which bull and bear markets are played out.

The central question at the moment, therefore, is whether the current strength is a harbinger of the end of this decade -long secular trend and the forerunner of a move to a new and higher basic level of equity prices. Nothing is permanent, and the market climate which characterized the late 1960's and 1970's undoubtedly will end some day. The dilemma that faces us at the moment relates to whether it has ended already or is about to do so.

We hasten to assure our readers that we are not, at this point, about to issue a firm pronouncement on this question. Technical analysis, in our view, does not consist of blinding flashes of light which enable the analyst to leap euphorically from his charts to proclaim the beginning of an era. It consists, rather, of painstakingly weighing evidence as it unfolds, and the astounding strength of the first two months of 1976 does not, in and of itself, provide the evidence to cancel a decade of history. There are, at this moment, arguments that can be marshalled both for and against the proposition that a new stock market era is upon us.

On the positive side, we have the chart configuration that exists for the Dow (although, interestingly, not for the broad-based indices) for the period from mid-1973 to date. The DJIA, it will be recalled, traded back and forth between 800 and 900 in late 1973 and early 1974 before breaking below 600 in October-December, 1974. The rise of the first half of 1975 took it back to the 800-900 range where it spent the second half of that year before breaking decisively out of this range on the upside in the past two months. It should be evident that what we have described above is the familiar "head-and-shoulders" formation, and if the Dow's trading since mid-1973 is thus interpreted, an upside objective as high as 1650 becomes readable. Obviously, a move to anything resembling that level will signalize a very different sort of stock market era from the one we have been in. Bullish arguments are further buttressed by the broadening of leadership which we have been drawing attention to in this space for the past month. Renewed public participation in secondary stocks after what has been essentially a 10-year absence of such participation could fuel the fires sufficiently to make a much higher level of stock prices conceivable.

And yet there are negative arguments. The first of these is the fact that the base formation of late 1975 does not permit setting of objectives much above the 1030-1080 level in terms of the Dow. Such a move to marginal new highs would fit squarely within the context of the flat, secular trend of the past 10 years were the upmove to end there. And there is a further negative which, to our mind, carries even more weight. That is the fact that a great many issues, having now risen sharply from their depressed levels of late 1974, are beginning to encounter the overhead supply from their trading levels previous to the 1973-74 bear market. This supply is, in many cases, truly massive and may well constitute an effective barrier to further advance until further reaccumulation and base-building takes place.

The weight of technical evidence is thus, in our view, divided, and we think that the intelligent attitude is to be aware of the upside possibilities without feeling a compulsion to proclaim loudly that the millennium has, indeed, arrived. If the overhead supply at current levels proves to be less of a barrier than might otherwise be anticipated and if market leadership continues to broaden, there will be plenty of time to recognize this fact. The wise course, we think, is to enjoy the current advance for however long it may last and to await the accumulation of further evidence before assigning it its place in the jigsaw puzzle of long-term stock market history.

Dow-Jones Industrials (12:00 p.m.) 974.81
S & P Comp. (12:00 p.m.) 99.90
Cumulative Index (2/26/76) 622.14

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AWT/jb