TABELL'S MARKET LETTER

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It is difficult to say with any certainty at this point just how the past two months of trading will fit into stock market history once the historical pattern finally becomes clear. Perhaps the only guess that can be ventured at this time is that it will be remembered as the period when the "magic-1000" figure on the Dow-Jones Industrial Average finally lost its magic. In the past eight weeks, the 1000 level, which many people had firmly believed would signify a new era when finally achieved, has been penetrated on the upside on five separate occasions only to be repenetrated on the downside on four of those occasions. The torpor of the last penetration, which occurred at midweek this week, left little in the way of confidence that still a fifth move back down into the 900's might not be in the offing.

The present stock market era can be dated with some accuracy now as having begun on February 25, when our daily breadth index scored its high and the Dow posted a peak at 994.57. Since that time, as we have pointed out with perhaps sickening regularity, breadth has failed to score a new peak despite successive new highs in the Dow, and our Cumulative Index, reflecting the action of all NYSE issues, has also drastically underperformed the averages. Recognizing these and other signs of loss of momentum, many of our colleagues have seized upon the opportunity to take a somewhat bearish stance. Our own position, as readers will be aware, has been to point out that, while market action during the period can hardly be described as good, it is hardly all that bad either.

Let us try to quantify a few of the phenomena that have actually taken place since February 25. For one thing, volume has decreased dramatically. During the period of the meteoric rise from December 5, 1975, to the end of February, average daily volume was 25.7 million shares, with a record 44.5 million share day being recorded. Since the late February benchmark date, it has decreased to under 22 million shares, and, since March 29, it has virtually dried up to an average daily figure of 18.7 million shares. While all this was going on, however, more stock was apparently changing hands on the upside than the downside. Volume on days that the market advanced averaged 23.2 million shares and on days when it declined, only 20.9 million. As measured by QUOTRON, the average trading day during the period saw 9.7 million shares of upside volume and 9.3 million shares of downside volume.

If the market has spent more trading activity going up than going down, it has, in contrast, spent more time on the downside. It advanced on 20 days during the 45-day period in question and declined on 25. Similarly, on average, more stocks have been going down than up, although hardly by a shattering plurality. The average number of advancing stocks for the 45 days has been 702 and the average number of declining stocks 777. However, in very few cases has a decline been serious enough to drag a falling issue back to its 1976 low. On 38 of the 45 days, new highs for 1976 have exceeded new lows, and, on average, each trading day has seen seventy-two 1976 highs versus only fourteen 1976 lows.

In terms of average percentage change for all stocks, the underlying figures show noticeable but not overwhelming weakness. On 28 of the 45 days, the average downside percentage change was greater than average upside percentage change. However, the actual levels of percentage change in each direction were fairly close.

The problem with all these numbers, as we said above, is that they are bad but by no means overwhelmingly bad. Contrary to popular opinion, market forecasters do not <u>like</u> being on the fence, and we confess we would be a great deal happier if we could take an unreservedly bearish or bullish position. Our assessment of the numbers at this time just does not permit us to do so.

On the other hand, time is slowly beginning to run out for the market insofar as upside action is concerned. Periods of trading within a restricted range such as the one that has existed since late February do not, historically, last all that long, and, if the current trading range is not to be ultimately viewed as a period of distribution, it will have to be penetrated with some decisiveness on the upside before too much more time has elapsed. If this does not happen, the desultory action, which we have tried to enumerate above, will have to be, in our view, regarded with a bit more pessimism than we find ourselves now able to derive from it.

Dow-Jones Industrials (12:00 p.m.) 999.29
S & P Comp. (12:00 p.m.) 101.88
Cumulative Index (4/29/76) 599.47
AWT/jb

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