

# TABELL'S MARKET LETTER

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September 9, 1977

We published in this space last June 24th a discussion of computed trend channels for the Dow-Jones Industrial Average augmented with a chart showing the two trends then demonstrably in effect. These two channels, represented by the solid and dotted lines on the chart below, ran from the September 21, 1976 high of 1014.79 and the December 31, 1976 level of 1004.65. The June 24th date is marked on the chart below and, as can be seen, the two trends had largely contained the Dow up to that time. What has happened since is perhaps worthy of further discussion.



As the chart shows, the Dow backed off from the upper limit of the intermediate-term channel shortly after the June letter was written. It then moved up again in late July and tested the upper limit of the channel once more. From that point, on July 22, it began its current slide. That slide can be delineated by still a third, minor trend channel shown on the right-hand side of the chart. That channel, in turn, has been decisively penetrated on the upside by the recent rally.

At its recent low, the average was precisely at the bottom of the intermediate channel at around the '850' level. What is particularly interesting, moreover, is that the bottom levels of the major and intermediate downtrend channels have converged, thus suggesting that if the intermediate channel is to be broken, such a break could occur fairly shortly.

We have, therefore, three separate events of importance having occurred in the last two weeks --- the convergence of the major and intermediate channels, the rebound from the bottom of both channels and the concomitant penetration of the minor downtrend channel. Whether this reversal will be confirmed by an ultimate upside break above the top of the intermediate channel, now around the 905 level, remains to be seen. We would certainly regard such a break as having more-than-passing significance.

Dow-Jones Industrials (12:00 p.m.)	858.89
S & P Composite (12:00 p.m.)	96.59
Cumulative Index (9/8/77)	666.98

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