

# TABELL'S MARKET LETTER

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DIVISION OF

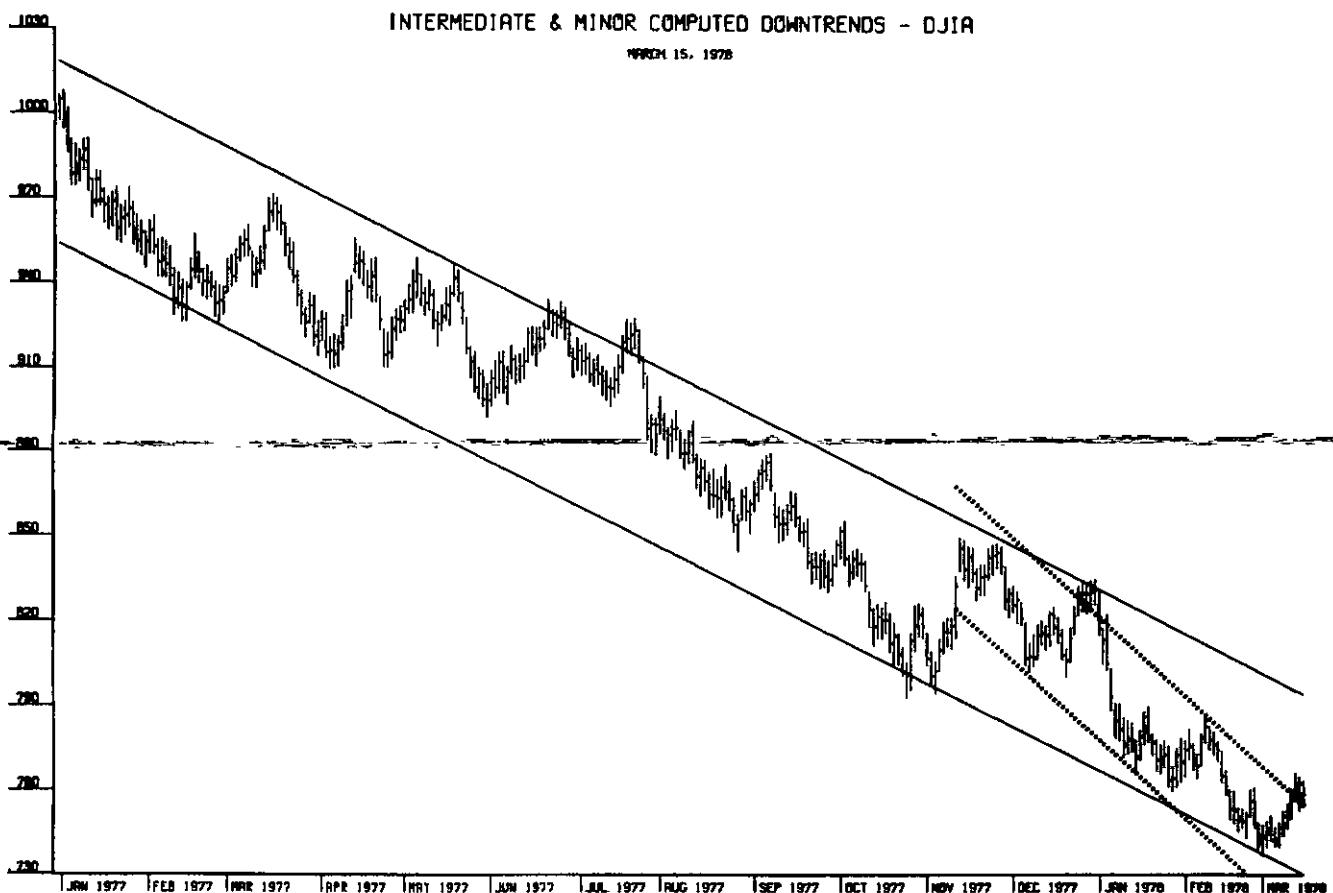
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Something started to happen this week. It has not yet followed through, but, with further market strength, could do so shortly. In any case, the market appears to be approaching a critical juncture, and its action will be worth watching closely.

What prompts the above comments is the action of the Dow in relation to its computed downtrend channels. Our readers will be aware that it is our practice to try to quantify trends mathematically rather than simply drawing them by ruler on a chart. On this basis, two downtrend channels have recently contained the DJIA, the first starting at the December 31, 1976 high of 1004.65, and the second computed from the more recent November 11, 1977 high. These two channels are plotted on the chart below.



The most significant channel, of course, is the one covering all of 1977-78 so far, signified by the solid line on the chart. As the chart shows, the market has rallied to the top of this channel on five separate occasions but has never been able to penetrate it decisively. Likewise, it has touched the bottom of the channel numerous times, and in each case, a significant rally has occurred. The same thing is essentially true of the shorter-term channel extending back to last November.

As can be seen, at the end of February the Dow once more touched the bottom of the intermediate channel and, precisely from that point, commenced a rally. In the process of that rally, the Dow moved above the minor downtrend channel and has now closed above it on four consecutive days.

This penetration cannot yet be considered decisive. For this to be the case, the average would have to remain above the channel limit for the next week or so or close, in this case, ten points or more above it. This could happen if the Dow remained strong or firm for the rest of this week. Weakness at this stage, on the other hand, would simply signify the continuation of the downswing which has contained the index for the past fifteen months.

Dow-Jones Industrials (11:00 p.m.) 763.25  
S & P Composite (11:00 p.m.) 89.60  
Cumulative Index 670.128  
AWT/jt

ANTHONY W. TABELL  
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