

TABELL'S MARKET LETTER

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MEMBER AMERICAN STOCK EXCHANGE

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A distinct change seems to have taken place in the stock market climate over the last two weeks of trading. The change is unrelated to the various news events which have been cited in the press as affecting financial markets, having no evident connection with such phenomena as the declining dollar, the coal strike, the Mideast crisis, fears of inflation, etc. It is, rather, a change in the market's apparent response to those events, an alteration, in other words, in the technical behavior of prices. The change is, moreover, despite its essentially technical nature, basically rather subtle. There has certainly been no dramatic change in momentum which would indicate a radical shift in supply-demand dynamics. It is simply that, in a number of ways, the market has minutely altered behavior patterns which have characterized it since last fall.

We chose last week to focus on one aspect of this altered behavior, the fact that the market rally---which continued through Monday---had caused the Dow to penetrate the downtrend channel which contained it since November. Despite Tuesday's and Wednesday's sharp drop, that penetration became relatively decisive this week. A characteristic of downtrends is that they move inexorably lower over time, and, were the Average still in its downward channel, it would, today, be in the 748-704 range, an area which it seems decisively to have left behind. The Dow, in other words, does not appear to be moving lower at the same rate at which it had previously declined over some 90 trading days.

Meanwhile, some old patterns of behavior continue. Let us take time to glance once more at our old friend, the American Stock Exchange Index. Yes indeed, dear Reader, the Amex index made yet another new bull-market high last week. We apologize for pointing out still another time the uncannily excellent behavior of A.S.E. issues in the face of a desultory market climate. Yet we do think the fact must be noted. Amex issues are indeed going up, and money is being made by owning them. Since it is possible to buy stocks on the American Stock Exchange simply by placing an order, we do not think that the strength on Trinity Place is totally without investment interest.

Nor is all the action confined to the American Stock Exchange. Our Cumulative Index moved, in last week's strength, decisively above its February high, reaching an intraday peak of 681.77. Now this, admittedly, is 0.6% below its December high and 2.2% below its July bull market high of 697.17. Were it to turn down once more from these levels, some cause for alarm could be adduced but, on the other hand, further strength would suggest a rather solid resumed uptrend. The point is, we think, that the pattern for this index of all NYSE stocks represents an unresolved dilemma rather than a distinctly bearish configuration.

Another interesting facet of recent behavior has been the sharp expansion in volume, most particularly in upside volume. It is our practice to measure both upside and downside volume on a ten-day basis, and up volume for the ten days ended March 20th exceeded 143 million shares. While this is below the peak of 158 million shares attained last November, it is, nonetheless, with this single exception, the highest figure reached over the past fifteen months and significantly better the upside volume peaks which tended to characterize trading during 1977, most of which were in the 90-100 million share range.

All these signs, as we noted above, are subtle and a good deal less dynamic than the strength of last December, which later proved to be a false rally. Certainly more confirmation in a number of areas would be appropriate before it is possible, from a technical point of view, to adapt an unreservedly bullish stance. We think, nonetheless, that the change in the market's behavior pattern is worth noting, for it has the ingredients, if followed through, to signify a turning point of some importance.

Dow Jones Industrials 756.50
S & P Composite 89.36
Cumulative Index (3/22/78) 674.39
AWT/jt

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