

TABELL'S MARKET LETTER

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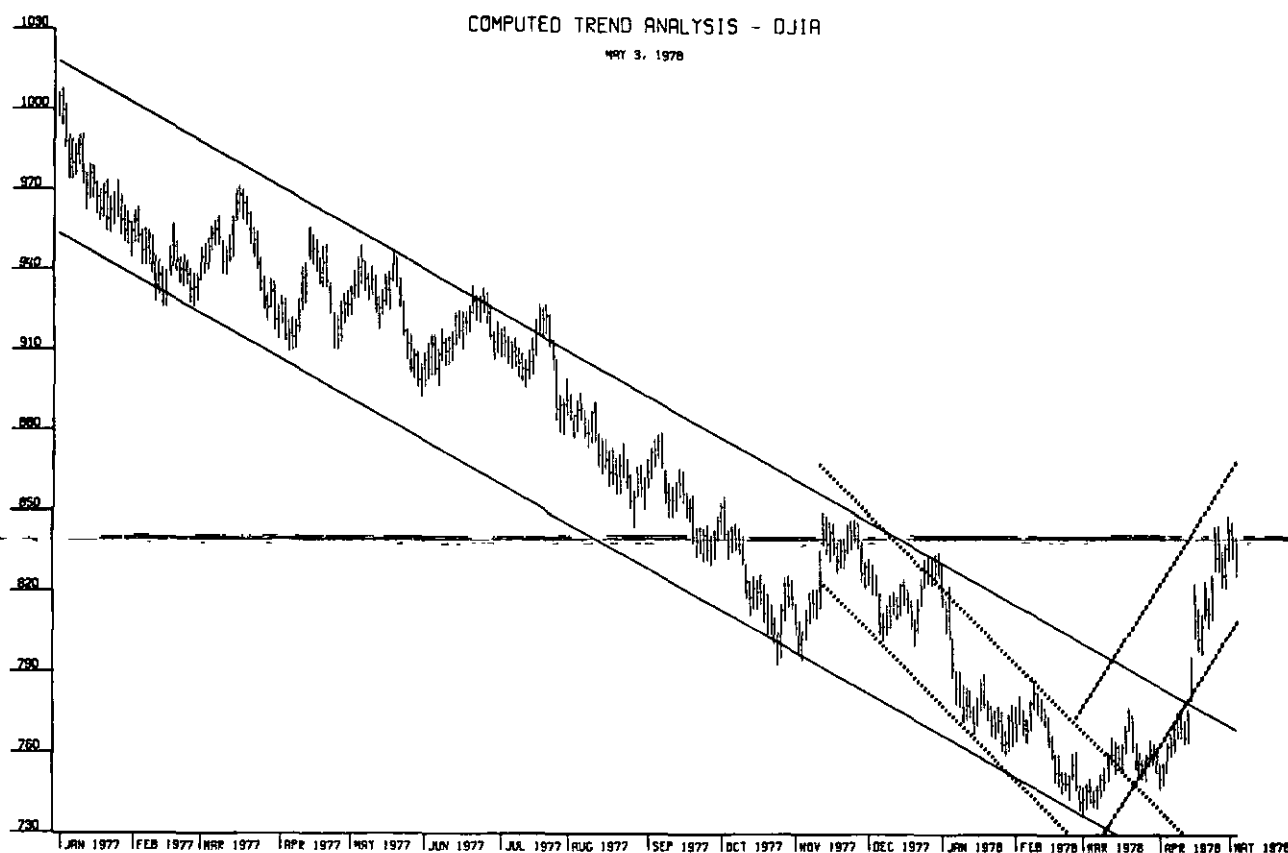
DIVISION OF

Janney Montgomery Scott Inc.

MEMBER NEW YORK STOCK EXCHANGE, INC.
MEMBER AMERICAN STOCK EXCHANGE

May 5, 1978

Some two months ago, we began this letter with the comment, "Something started happening this week.", and included a chart outlining the two computed downtrends which, to that point, had contained the DJIA for fifteen months. The process which began that week has, of course, continued with a vengeance, as the chart below, brought up-to-date, demonstrates.



As shown above, the market, at mid-March, had remained within the confines of two downtrend channels, one going back to the beginning of January, 1977, the other, within the confines of the larger channel, starting in November, 1977, and running through February, 1978. The lateral action of late March and early April distinctly violated the narrower channel and set up conditions for a test of the fifteen-month old major downtrend. As the chart shows, the volume reversal which began three weeks ago has now unquestionably penetrated the upper limit of that channel. Indeed, we now have a new computed uptrend in effect as shown on the right hand side of the chart. That trend is, at the moment, rising at approximately two points per day.

It is probably worth reiterating just what inference may properly be drawn from this action. The fifteen-month long major downtrend simply quantifies the fact that, from January, 1977 through March, 1978, a distinct market environment was in effect, an environment that, regardless of minor fluctuations was taking the Dow down by some .70 points per day. It is demonstrable that recent action is inconsistent with that sort of environment, and it may thus be concluded that that environment is no longer in effect. By extention, investment policies based on such an environment are no longer appropriate.

The exact shape of the current environment, now only 46 trading days old, is difficult to determine and will probably be redefined as time goes on. What we do know, however, is that the stock-market climate of 1977 and early 1978, one to which we had long become accustomed, can no longer be said to be a characteristic of the current financial scene.

Dow-Jones Industrials (12:00 p.m.)	832.29
S & P Composite (12:00 p.m.)	96.77
Cumulative Index (5/4/78)	726.11

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