TABELL'S MARKET LETTER

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In a spectacular upside performance, the stock market regained the momentum it had lost during late June and crashed ahead to new highs, in the process producing an all-time volume record. There appears to be little room for equivocation in characterizing the present equity environment. It began last February at 742 on the Dow, and it is called, simply, a Bull Market.

In last week's letter, we discussed our own group of "Vestal Virgins" or high-capitalization growth stocks. In this week's issue, we discuss the technical patterns of these stocks, which we have attempted to summarize in the table below. We obviously had no idea, a week ago, that these stocks would prove to be the upside leaders in the fireworks display which featured last week's trading. As it so happens, the sort of technical pattern we had planned to discuss, the very long-range picture, remains essentially unaltered by the recent strength.

In trying to summarize varying chart patterns for a group of different, albeit related stocks, it is necessary to begin with a fixed reference point. That reference point in the case of growth issues is the 1974 low, a low which for most of them, was reached following a severe decline from an egregiously exploited level to two years earlier. The price action of these stocks, of course, has varied widely since that low. In some cases, the recent price is not too far different from that bottom, and, in other instances, prices are now above their 1974 levels by a factor of as much as 200%.

Subsequent to posting their lows in 1974, most of these issues scored a peak, which has not since been equalled, and then moved sharply lower. The level of that peak is shown in the third column of the table. Quite obviously, over a four-year period, a great deal of backing and filling has taken place between the two limits. The key question is whether or not this backing and filling represents long-range accumulation, in other words, a base formation process, indicating higher upside objectives.

We have tried to suggest what these upside objectives could be in the fourth column. We are fully aware that these numbers are pretty astounding, and we feel constrained especially to emphasize the caveat required in letters of this type that the objectives are based solely on technical factors and that further information is available. We feel compelled further to stress that the objectives do not become valid until breakouts take place. It is also necessary to point out that overhead supply from the 1972-1973 tops for these stocks is indeed massive and, in many cases, that supply is either just above current levels or clustered around the breakout points upside, raising the real possibility of false breakouts which could be turned back by the heavy supply.

	Recent Price	1974 Low	Breakout From Post 1974 Range	Objectives	1972-1973 Supply
Avon Products	60	20	68	125-180	120-140
Burroughs	83	65	120	260	105-120
Coca-Cola	45	22	48	104	66- 74
Disney	44	18	70	140	90-120
Eastman Kodak	64	60	120	275	125-145
IBM	286	155	300	510	300-350
Johnson & Johnson	85	74	100	215	100-125
McDonalds Corp.	60	22	70	125	60- 70
Polaroid	52	16	(Broken Out)	95-132	105-140
Proctor & Gamble	91	68	110	165	100-115
Sears-Roebuck	26	22	40	80	46- 58
Xerox	61	50	88	155	150-170

In short, what we are talking about here are, in most cases, potential technical patterns. We are documenting these potential patterns and mentioning them, along with the rather impressive upside objectives, as a follow-up to the question we raised last week. At that time, we attempted to demonstrate that growth issues as a class were fundamentally cheaper in relation to the market than they had been for some time. We are trying, this week, to show that, technically, the possibility of a substantial rebound from these depressed levels exists.

Before that potential can be realized, it seems to us, however, a fundamental alteration in the supply/demand pattern which has characterized the stock market in the past few years will have to take place. These issues are, after all, institutional-quality holdings, and it will require institutional money to move them significantly from their current price level. It is demonstrable, we think, that such institutional cash flow has been notable by its absence in recent years, and the imminence of its return remains a largely unanswered question. That in turn is the subject of yet another letter.

Dow-Jones Industrials (12:00 p.m.)	890.94	ANTHONY W. TABELL
S & P Composite (12:00 p.m.)	104.05	DELAFIELD, HARVEY, TABELL
Cumulative Index (8/3/78)	688.14	