

# TABELL'S MARKET LETTER

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

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It is possible that our readership might find interesting a brief description of an activity which takes place in our office each Thursday and which occupies the better part of the day's work by a majority of our staff. We are proud of this process as it has evolved over the years, and it constitutes one of our major efforts to "watch" the stock market. It combines, we think, the greatest strength of both the human analyst and the computer, and we have been engaged in this sort of surveillance in one form or another for over a decade.

To begin with, in a back room here in our office, there resides a fairly large and powerful digital computer. We are perhaps unique, in that we do not burden this device with such tasks as the payroll, accounting, etc. The sole function of this piece of machinery is to aid in technical analysis of the stock market.

Part of the data maintained in its electronic maw is a series of condensed technical opinions on some 1400 listed issues. We maintain, on line, for these stocks, such information as upside objectives, breakout points, direction of trend, etc., etc. It is in the process of updating these 1400 opinions with which we are here concerned.

The process starts by utilizing the computer's high-speed data processing capabilities. Each Thursday the machine matches the stored opinions against a summary of the week's trading in each issue. Such information as breakouts taking place, objectives being reached, unusual volume activity, and large price fluctuations are examined for and printed out in a rather lengthy report circulated within the office each Thursday morning. This report, based entirely on a preliminary computerized screen, may list some 200-500 stocks as having undergone some noteworthy activity during the week.

Beyond this point, we frankly do not trust the computer. We think there is essentially no substitute in technical work for the examination of price action by an experienced analyst. Therefore, at this stage, our own staff takes over. The chart of each issue flagged in the preliminary screen is examined in detail by one of our staff members, and, as necessary, our opinion and data on this issue are updated. By the end of the day, our data bank is up-to-date with valid opinions based on trading through the close of that day's market.

Now the purpose of this procedure is that it enables our clients to receive, on a weekly basis, updated technical opinions on all of the issues in which they have an interest. In the process, however, it tends to spin off some rather useful information, information which can often be useful in the formulation of a stock market opinion. For example, we have available late each Thursday afternoon a complete list of all stocks which posted major and minor upside or downside breakouts during the past week's trading. The recent tenor of these lists may be of some interest in the light of recent behavior of the popular stock market indices.

As we all know, the Dow has spent a goodly part of the last few weeks flirting with the 900 level and has, to date at least, been repeatedly turned back. A perfectly valid question centers on whether this action constitutes accumulation or distribution. An answer may well be found in the direction of the breakouts which have been taking place while the averages have been moving sideways.

During the four market weeks of August there were a grand total of 146 upside breakouts on a major or minor basis, all, of course, in different stocks on the NYSE and the ASE. For the same period there were exactly eight downside breakouts. For the week ended yesterday, September 7, 18 upside breakouts took place, versus two breakouts on the downside. This sort of action suggests, we think, rather obviously, that the bulk of listed issues continue to act better than the general market averages. It may well also suggest the direction of the next major move in those averages.

Dow-Jones Industrials (12:00 p.m.)	902.63
S&P Composite (12:00 p.m.)	106.34
Cumulative Index 9/7/78	819.12

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