

# TABELL'S MARKET LETTER

*Delafield, Harvey, Tabell*

909 STATE ROAD, PRINCETON, NEW JERSEY 08540

DIVISION OF

*Janney Montgomery Scott Inc.*

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

February 23, 1979

It is always difficult to comment on a stock market that is doing essentially nothing, and the past few months have provided an almost perfect example of that genre. Since September 11th, when the Dow retreated 5% from its 1977-78 high of 907.74, it has completed no fewer than nine swings of a magnitude of 4% or greater, and none of these swings have had any noticeable staying power, the longest one having been the 27-day rally from the mid-December lows to the high of January 26. The remainder of the swings have lasted from one to nineteen trading days before being reversed. Despite all of this movement back and forth, however, little has been accomplished in the way of moving prices in either direction, the bulk of trading having been contained in the 800-850 range on the Dow. This dreary process has now gone on for no fewer than 112 trading days. The swings involved are listed in the table below.

<u>DATE</u>	<u>DJ AVERAGE</u>	<u>% CHANGE</u>	<u>NUMBER OF DAYS</u>
Sept. 11 1978	907.74	--	--
Sept. 20 1978	857.16	- 5.57	7
Oct. 11 1978	901.42	+ 5.16	15
Oct. 31 1978	792.45	-12.09	14
Nov. 1 1978	827.79	+ 4.46	1
Nov. 14 1978	785.26	- 5.14	9
Dec. 12 1978	821.90	+ 4.67	19
Dec. 18 1978	787.51	- 4.18	4
Jan. 26 1979	859.75	+ 9.17	27
Feb. 7 1979	816.01	- 5.09	8
Feb. 21 1979	834.55	+ 2.27	8

Despite the fact that this sort of action has been, to say the least, uninteresting, it does, nonetheless, lend itself to analysis, in that it is somewhat unusual. The market spends the bulk of its time within some sort of recognizable trend, either up or down, and long periods such as the present one in which the major averages fail to post new high or lows of any significance thus tend to present certain unique aspects.

One interesting tool which can be used to measure and compare this sort of action goes by the rather awesome name of an absolute momentum index. It consists, simply, of adding up daily percentage change, regardless of direction, over a protracted period, say 100 trading days. Thus, in the past 100 days, the market has accumulated a percentage change on a daily basis of over 100% by moving up and down, despite the fact that, over the same period, the net result of all this activity has been nothing more than to move the Dow down by a little over 3%.

It is often useful to adjust such an index of absolute momentum by subtracting a correction factor based on the actual amount that the market has moved. In the present instance, of course, this correction factor is relatively small since there has been very little real momentum. The adjusted index, therefore, now finds itself at a relatively high level.

This sort of level, when attained in the past, has, more often than not, held bullish connotations. It has, for example, tended to be attained toward the end of fairly important base-formation periods. A few examples are January-March 1958, October-November 1962, January 1967, June-October 1970, and October 1974-March 1975. It has also tended to reach high levels during pauses in ongoing bull markets, notable instances being in the fall of 1950, January-February 1956, and late 1975. Although similar levels have admittedly prevailed at market tops in the past, they have not done so as often nor with the same consistency as in the present case.

Our adjusted index has essentially remained at an abnormally high level ever since October of last year. In the past, such an impasse has most often ultimately been resolved by higher prices.

Dow-Jones Industrials (12:00 p.m.)	825.36	ANTHONY W. TABELL
S & P Composite (12:00 p.m.)	98.09	DELAFIELD, HARVEY, TABELL
Cumulative Index (2/22/79)	711.98	

No statement or expression of opinion or any other matter herein contained is, or is to be deemed to be, directly or indirectly, an offer or the solicitation of an offer to buy or sell any security referred to or mentioned. The matter is presented merely for the convenience of the subscriber. While we believe the sources of our information to be reliable, we in no way represent or guarantee the accuracy thereof nor of the statements made herein. Any action to be taken by the subscriber should be based on his own investigation and information. Janney Montgomery Scott, Inc., as a corporation, and its officers or employees, may now have, or may later take, positions or trades in respect to any securities mentioned in this or any future issue, and such position may be different from any views now or hereafter expressed in this or any other issue. Janney Montgomery Scott, Inc., which is registered with the SEC as an investment advisor, may give advice to its investment advisory and other customers independently of any statements made in this or in any other issue. Further information on any security mentioned herein is available on request.