TABELL'S MARKET LETTER

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We have noted in the past that the stock market, with not-unfamiliar contrariness, has recently been refusing to post either decisive new highs or decisive new lows, thus allowing those of us in the business of commenting on the market a wide degree of latitude in describing its recent action. It is interesting to note that this series of refusals to create new benchmarks is now six years old and nested five levels deep. Consider the following.

1. The Dow reached its all-time high of 1051.70 on January 11, 1973, and, in one of the worst bear markets on record, declined to 577.60 on December 6, 1974.
2. Two years later on September 21, 1976, it had risen to 1014.79, from which level it declined to 742.12, over a period of a year and a half, reaching its low on February 28, 1978.
3. Over the next half year it rose to 907.74 on September 11, 1978, and declined to 787.51 on December 18.
4. In the subsequent year-end rally, the index rose to 859.75 on January 26th. At that point, the rally aborted and, a month later on February 27th, it had retreated to 807.00.
5. A couple of weeks later, as of yesterday, it had moved up again to 844.85.

The irony of all this is that an analyst of bearish persuasion can now point to a series of five successively lower benchmark highs and consequently postulate a six-year-old bear market. Those optimistically inclined can note the four successive higher benchmark lows and describe exactly the same six-year period as a bull market.

The impasse should resolve itself shortly since the successive reference points are becoming ever more compressed in time. The first couple of cycles referred to above were each two years long, while the third lasted only three months, the fourth, one month, and the final one, of course, is still reaching new peaks. We suspect, however, that the ultimate resolution one way or the other, will perhaps have less significance than would at first seem apparent. For ourselves, we prefer to interpret the formation outlined above as symptomatic of a confusing and trendless market with broad diversity of action among individual stocks and groups rather than give it outright bullish or bearish significance.

We tried to document last week the case that a great deal of the recent downside action, especially that centering around the swing since January, had focused on the high-capitalization growth stocks. For so long as this continues to be the case, we are inclined to feel that the market's overall vulnerability remains limited. For a group of stocks to be considered to be in serious price jeopardy, it must first of all have risen to the point where, from a technical and fundamental basis, it can be considered exploited. Senior growth issues hardly fall into this category. They were leaders in the 1973-1974 bear market cycle posting declines of well in excess of 50%. Their subsequent recovery was modest, and, as recently as a year ago, they had retraced a good portion of that recovery and were reasonably close to 1974-low figures, with many individual issues having moved well below those lows.

Now, if weakness continues, these 1974-1978 levels may be tested for a third time. As of February 28th, a growth-stock index which we maintain had reached 36.79 versus a year-earlier low of 32.80. A test of that earlier bottom would hardly consitute a disaster. Meanwhile, as these issues continue to trade around five-year lows, earnings, with a few exceptions, have continued to improve, and p/e ratios, both on an absolute basis and in relation to the market, are at record low figures. This sort of thing is, in our view, hardly descriptive of a group of exploited issues.

None of this suggests that short-term subpar action on the part of these issues will not continue. It is simply meant to point out that such stocks are hardly in a positition to exert major downside leadership. Meanwhile, as was noted last week, secondary issues which might, on an exploitation basis, be considered to be technically vulnerable, have been showing above average relative action.

Dow-Jones Industrials (12:00 p.m.)	844.59	ANTHONY W. TABELL
S & P Composite (12:00 p.m.)	99.77	DELAFIELD, HARVEY, TABELL
Cumulative Index (3/9/79)	721.41	

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