TABELL'S MARKET LETTER

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MEMBER NEW YORK STOCK EXCHANGE, INC
MEMBER AMERICAN STOCK EXCHANGE

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A bit over a quarter of a century ago, we entered the securities business and commenced a period of training aimed at turning us into something called a market technician. Shortly thereafter, having mastered a few of the elements of this art, we loaded a briefcase with charts and went forth into the world, prepared to preach the gospel of this technique to anyone who cared to listen. Few did. Most money managers, 25 years ago, felt that quantitative analysis of the phenomenon of stock prices was of little use in helping them arrive at investment decisions.

This feeling, at the time, was based largely on ignorance. Most financial practitioners disbelieved technical analysis simply because they had little idea of what it was. Stock charts were not widely published and were looked at only by a small, and somewhat off-beat, group.

Needless to say, this attitude has changed. We would like to think that technical work has become more widely accepted, but in any case, it is indisputable that familiarity with its techniques has grown. Even the latter-day academic assault on technical analysis required some familiarity with the tools involved in order to produce a so-called refutation. The average member of the financial community today, whatever his belief of efficacy of technical analysis, has, at least, some understanding of the basic tools involved. This understanding may not be terribly deep. (Anyone can recite $e = mc^2$ without really understanding the Theory of Relativity). The understanding, nevertheless, exists.

All of this is occasioned by the fact that, some two weeks ago, an upside breakout in terms of most of the major averages took place. That breakout had a fair amount of conventional significance in technical terms, and we ourselves, in this space last week, noted the breakout and produced a conventional analysis of its implications. Shortly thereafter, the market reversed its course and plunged back into the trading range from whence it had come. The breakout proved, for the time being, to be false -- a phenomenon which, in our view, has emerged with increasing frequency as familiarity with technical work has grown.

Now it will be argued in some quarters that this retreat was a response to new information, information embodied in President Carter's Sunday-night speech and the subsequent realignment of his staff. We find ourselves unconvinced by this reasoning. The market's immediate response to this speech on Monday, it will be recalled, was to move in a narrow trading range on low volume, doing absoloutely nothing. We suspect, in other words, that the energy situation, however sorry (or sad) it may be, is as much built into the current structure of stock prices as the well-advertised impending recession.

The market retreat having occurred, the next point which will be looked for by breakout watchers will be 821.21 on the Dow-Jones Industrial Average, the June 1 low from which the current move started. A downside penetration will, we suppose, be noted as widely as was the recent new high. We suspect that, if it occurs, it will be equally insignificant.

None of the above is meant to denigrate the practice of breakout analysis, a practice which, as noted, we engaged in as recently as last week. It is only meant to suggest that such breakouts must be analyzed in terms of an overall and often complex market context. That context does not, in our view, suggest the sort of serious market debacle that conventional analysis of a move below 821 might otherwise indicate. We think, in other words, that the overall market pattern remains constructive, and that the destruction of one link in that constructive chain by the retracement of the breakout last week does not alter the basic situation embodied in the overall patterns of most individual stocks.

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Dow-Jones Industrials (12:00 PM)	827.47
S & P Composite (12:00 PM)	101.60
Cumulative Index (7/19/79)	756.01

AWT:sla