

# 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

September 7, 1979

We have noted in the past that one of the more pronounced seasonal tendencies of the stock market, especially in recent years, is for market weakness to develop during the month of September. Apparently, traders returning from their Labor Day holiday believed in this pattern as, on the first two trading days of September, 1979, what had been a reasonably strong stock market turned into somewhat of a rout.

The Dow started out on Tuesday with a 15-point decline, and weakness continued throughout most of the day Wednesday with prices having slipped another 13 points by 3 o'clock. A fair portion of the loss was erased in strength in the last half hour, and Thursday saw an extension of that recovery. Nonetheless, the decline was of reasonably serious proportions, amounting to some 22 points on a closing basis and 32 points from Friday's intraday high through Wednesday's intraday low.

It all occurred, as we said, following a market which had displayed above-average strength, at least through mid-August. It is true that most major indicators had spent the latter two weeks of that month consolidating, and Friday's closing level, while a new bull-market peak on a closing basis was not the high for the move based on intraday figures. On that basis, the Dow had reached a peak of 893.60 on August 16 versus a peak of no better than 890.10 on Friday. Thus, for two weeks, the market had essentially been moving sideways.

The occurrence of this sort of action, especially with the arrival of September, might appropriately have caused nervous analysts to remember the action of just a year ago. At that point, the Dow, which had spent most of August moving sideways, burst out to a new high of 907.74 on September 11. Two days of relatively mild weakness followed, after which a five-day decline trimmed some 40 points from the index by the end of September. For the rest of September and through early October, a consolidation and rally attempt brought about a renewed move to close to the old peak in mid-October. This was followed, however, by the vicious "Halloween Massacre," downswing in the last two weeks of October which, at the lows, had trimmed better than 110 points from the Dow. It took the entire remainder of 1978, some two months, for prices to re-accumulate for their subsequent recovery in the spring.

In view of all of this, it is certainly worth asking the question of whether there exist similarities between the present market pattern and that which obtained during the summer and early fall of 1978. Our own view is that such is not the case. The 1978 decline, as noted above, had been preceded by a distributional pattern that built up during the entire month of August. In terms of point-and-figure activity, this distribution was substantial in its own right. The failed rally attempt in early October broadened that distribution still further.

Nothing remotely similar exists in the present instance. As indicated above, the distribution preceding the present decline had lasted only two weeks, the current market's having displayed above-average vitality through mid-August. By the end of this week's two-day debacle, all existing downside objectives had been reached, and the rally attempt which occurred, was, therefore, a logical expectation.

Now it is, of course, entirely possible that the sudden onset of weakness this week signalized the start of some sort of distributional pattern which has yet to be built. There were, indeed, a number of disturbing elements in the downswing, not the least of which were the negative breadth figures of 4 to 1 on Tuesday and almost 7 to 1 on Wednesday. Any event such as this week's decline memorializes the analyst to be especially alert to any signs of ongoing deterioration. Such deterioration, however, had not yet proceeded to the disquieting stage as of last week's end.

ANTHONY W. TABELL  
DELAFIELD, HARVEY, TABELL

Dow-Jones Industrials (12:00 PM)	868.69
S & P Composite (12:00 )M)	106.92
Cumulative Index (9/6/79)	794.32
AWT:sla	

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.