**TABELL'S MARKET LETTER**

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We have tried to suggest in recent issues of this letter that the market advance, especially since the lows of last year, has been a much more restricted affair than would seem to be apparent at first glance. Certainly there has been nothing to complain about in the action of major averages, such as the S & P 500 which, on Wednesday, reached a new six-year high of 115.20. That particular indicator has now moved up some 32% from its February, 1978 low, a figure comfortably within the historic framework of bull markets. More importantly, it has moved well above two previous benchmark highs. The first such high was posted in September, 1978 at 106.99, following which peak the index dropped to 92.49 in November, 1978 before recovering its entire loss. The fall-1978 peak was, in turn, exceeded by a modest amount on October 5 of last year when a high of 111.27 was achieved. This was followed by a drop to 99.87 in mid-November before new peaks were attained.

During the past two weeks, the 500-stock Composite, therefore, now finds itself well over 3% above its best level of 1979. It is worth examining, therefore, whether this is a performance that has been shared by a large number of its components.

The answer is that this is not necessarily the case. There are some 535 stocks that are contained in the Composite and its subindices, the extra ones being accounted for by stocks which are part of subindices not included in the 500. Of the 535 stocks, 259, based on weekly closing figures, have managed to post new highs above their best levels of 1979. The obvious corollary is that 276 issues, better than half the universe of leading issues under study, have failed to do so.

39 issues, as a matter of fact, managed to find themselves at recent highs down 20% or more from their best levels of 1979. Included in this group is a diverse list of well-known names including, Avon Products, Coca Cola, Eastman Kodak, First Pennsylvania, Goodyear, Minnesota Mining, Polaroid, and Zenith. The occurrence in that list of more than a few of the institutional darlings of 1972-73 is, in our view, not a coincidence. The inevitable corrective process, occasioned by the excesses of that period, now eight long years past, is still apparently with us.

The relative narrowness of the advance is perhaps even more striking when one compares the action of individual stocks at successive highs in 1978, 1979, and 1980 thus far. Due to a smaller available price history, we are dealing here with 213 issues, including all of the leading S & P 500 stocks. 69 of these issues have managed to follow the lead of the S & P 500 itself posting successively higher peaks in 1978, 1979, and 1980. Interestingly, however, a somewhat larger number, 76 of the 213 issues, showed 1979 highs lower than their highs of 1978, and 1980 peaks thus far, lower than their highs of 1979. Market leaders, in other words, were just about balanced in number by an equal-sized group of poor performers.

When one examines the 69 stocks which posted successively higher peaks, the narrow scope of the advance becomes even more apparent. 15 of those 69 issues are either in the oil industry or related to it. Eight more are chemicals, six are drugs, and five are in the forest products area. Electronics, machinery, gold, and defense stocks also find themselves represented.

The issues posting successively lower lows constitute a somewhat more diverse group, although they appear to have a major common denominator in that large numbers appear to be related to consumer spending. 14 issues appear to fit into the general consumer category and another dozen are in the category of foods, soft drinks, and beverages. Another half-dozen are in retailing and four more can be categorized as leisure-time issues. An additional five are in the automobile and tire category. All of these groups, of course, fall into the broad consumer goods area.

A detailed study of the market action of the past two-and-a-half years, in other words, suggests quite clearly an advance that has been lead by a relatively restricted number of issues which, due to their heavy weight in the averages, have been able to pull those averages to new high territory. This strength, some of it indeed quite exceptional, has masked fairly pronounced weakness in a number of important categories. There are, we think, at least two facts to be inferred from this. The first is that despite the favorable market climate that has existed since early 1978, stock selection has been a necessary component in investment success. It has not been, to date, at least, a bull market in which all major issues participated. The second question raised is whether the internal weakness documented above is sufficient to call into question the sustainability of the advance. As we have noted in past issues of this letter, we do not think that this is nowthe case. Continued narrowing of the advance's scope, however, will have to become, at some point a cause for concern.

NOTE: Comment on individual issues are based on technical factors only. Further information available on request.

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| Dow-Jones Industrials (12:00 PM) | 874.49 |
| S & P Composite (12:00 PM) | 114.29 |
| Cumulative Index (1/31/80) | 837.14 |

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