TABELL'S MARKET LETTER

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It is not unusual for financial headlines to feature the phrase, "Dow-Jones Average," and such was indeed the case this week. However, for a change it was not the familiar Dow-Jones Industrial Average that did the newsmaking, but the Dow-Jones Transportation Average, which turned in a performance reminiscent of the days of Daniel Drew and Jim Fisk. That "other" Dow-Jones average posted a 10-plus point gain on Wednesday and was ahead by as much as another seven points on Thursday before succumbing to profit taking in subsequent trading.

Reaching an intraday high of 301.42 on Thursday, the Transportation index is now, with its recent strength, the second major indicator to score what has been, over the past decade at least, a rare achievement, i.e., a new all-time high. The previous peak for the average, at that time consisting of 20 railroads, had been at 281.75 on December 2, 1968. The Transpostation Average, therefore, follows the New York Stock Exchange Common Stock Index, which recently moved to a new all-time peak above its high of early 1973.

Other major indices currently find themselves at varying levels with respect to their all-time record levels. The American Stock Exchange Index, of course, left all previous benchmark highs somewhere back in the distance a year-and-a-half ago. The next major attempt at all-time high territory will probably be made by the various Standard & Poors averages, led by the S & P Industrial Index. That particular indicator, which closed on Thursday at 131.62 reached its all-time closing peak on January 11, 1973 at 134.54. The more widely-followed 500-stock Composite has a bit more territory to cover prior to reaching new all-time territory. The 500 also reached its high in January, 1973 prior to the 1973-74 bear market. That high, however, was at 120.24 versus a Thursday close of 116.28.

The Dow Transportation Average and the American Stock Exchange Index are the only two indicators which peaked in 1968-69 and which have now achieved new highs. Most broad-based indicators attained record levels in 1968 and have never come close to bettering those levels since. For averages of this type, the 1970-73 rally, which took the Dow and S & P 500 to their all-time records was nothing more than a temporary interruption in an ongoing bear market. The Value Line Composite Index, for example, peaked just under 190 in late 1968 and never rallied above the middle 120's in 1971-72. It finally managed to better that peak in this month's trading but still remains a long way below its all-time high of 12 years ago. Our Cumulative Index, a weighted average of all NYSE stocks, peaked out at over 1460 in 1968. Its 1971 rally high was at 1050, and at current levels of 843.94, it is a good ways away from making an assault even on that level. As we have stated in the past, we believe that, in many ways, this index is the most accurate mirror of what has really happened to the average listed common stock over the last dozen or so years.

It is difficult precisely to analyze the meaning of this week's extraordinary strength in the Transportation indicator as far as the general market is concerned. The move was, to begin with, an energy move as much as a transportation move, the strength being led by railroads with various forms of energy association. Some domestic oils enjoyed rises during the week even more spectacular than the rail issues contained in the Dow average. Irrespective of this fact and of the recent change in components of the Transportation Average, that average, now in an area free of overhead supply, is apparently still working off the implications of a substantial base formed between 1973 and mid-1975 with its low point at the 1974 low. The ultimate upside target of that base has always been 360 which, while it suggests that we may have seen the bulk of the move in this area, still leaves room for a 20% advance from current levels. It is hardly possible, in the present climate, to regard this as an unlikely prospect.

Meanwhi' with all this talk of new all-time highs, what about the poor old Dow-Jones Industrials, which, for many, constitute "the market," rather than the more esoteric indicators we have mentioned above? The Dow-Jones Industrial Average finds itself still below its high of September, 1979 which, in turn, was lower than its peak of September, 1978. That peak was, moreover, below the 1976 high which, in turn, was below the all-time record of 1973. Furthermore, that high, it must be noted, was not all that different from the indicator's previous peaks in 1968, and indeed 1966, the first time the venerable Dow touched the magic 1000 level. As we have suggested in past issues of this letter, we suspect it will require a substantive effort at new highs by this index before the existence of a bull market is widely recognized.

On a short-term basis, the DJIA has been moving sideways since early January and failed once more in Thursday's strength to better the 890 level. At the moment, a break below 870 would suggest a possible distributional formation and a test of the base in low 800's. While this eventuality may be unlikely in light of the strength in the other averages, it remains, at least, a possibility.

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Dow-Jones Industrials (12:00 PM)	884.47
S & P Composite (12:00 PM)	116.36
Cumulative Index (2/7/80)	843.94

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