

# 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

March 14, 1980

An alarmed dialogue continues to persist concerning the steepness of the 94.28-point decline in the Dow-Jones Industrial Average which, since its recent high of 903.84 posted on February 13 of this year has, in the short period of 21 trading days, declined 10.45% to a low of 809.56 on Thursday of this week. This letter recently discussed the possibility of market weakness over the short term, citing the possibility of a move to the 800 level. The correction best measured by the Dow-Jones Industrial Average five-point unit chart indicates a downside objective of 805-795. However, to date, all the available technical evidence does not suggest any sort of major long-term deterioration from these levels, particularly in the broader-based Standard & Poors and New York Stock Exchange Composite averages.

The market, quite obviously is oversold short term, by any measure that might be applied. The familiar 10-day advance/decline oscillator which on March 7 reached an oversold condition of -5806 is by no means a record. This was, however, recorded on October 27, 1978 when the 10-day advance/decline oscillator reached -9382. To make these figures more comparable historically, they could be adjusted for the number of issues traded, as we have done in the past when discussing long-term breadth of the market studies. However, for this exercise, raw advance/decline data is used, which does not distort the results significantly, only limits the observations to recent periods. A study of the history of this oscillator over the years reflects a tendency of the Dow-Jones Industrial Average to rally after these oversold levels have been reached.

Date	10-Day Total Adv-Dec	DJIA	DJIA +30 Days	Percent Change	DJIA +60 Days	Percent Change	DJIA +120 Days	Percent Change
Aug 29 1966	-6,288	767.03	758.63	-1.095	796.82	3.884	847.88	10.541
May 26 1970	-6,259	631.16	682.09	8.069	723.99	14.708	768.00	21.681
Nov 26 1973	-5,898	824.95	834.79	1.193	846.84	2.654	818.84	-0.741
Oct 27 1978	-9,382	806.05	817.65	1.439	846.41	5.007	856.98	6.318
Oct 22 1979	-6,682	809.13	824.91	1.950	863.57	6.728	000.00	0.000
Mar 7 1980	-5,806	820.56	0.00	0.000	000.00	0.000	000.00	0.000

To justify this statement, with the help of our computer, the table above lists every oversold condition where a plurality of declines outnumber advances by 5800 or more to include the most current oversold condition.

It is interesting to note that there have been only six of these observations ever recorded, all occurring over the last 15-year period. The remainder of the table lists the DJIA close as of each oversold condition and then reviews the performance of the DJIA 30, 60, and 120 days from the oversold condition.

A casual inspection of the table shows the DJIA has advanced from the oversold condition in 12 of the 14 time periods observed. The two periods not advancing were down an average of less than one percent. The average advance of the 30-day period was 2.31%, 60-day period was 6.60%, and 120-day period 9.45%.

Clearly what this data suggests is the tendency for markets to rally from their ultimate sharply-oversold condition. If we assume the March 7 figure of -5806 was the ultimate oversold condition, and if we apply the above logic to our current market, we become not so concerned as to where the market is going on the downside from here -- as mentioned earlier, 805-795 has seemed possible -- but rather the behavior of the market after it rallies from its current oversold condition. It would seem, therefore, any clues for any further long-term deterioration would manifest itself from higher levels rather than the current 800 level.

ROBERT J. SIMPKINS, JR.  
DELAFIELD, HARVEY, TABELL

Dow-Jones Industrials (12:00 PM) 809.22  
S & P Composite (12:00 PM) 105.10  
Cumulative Index (3/13/80) 746.89

RJS: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.