

TABELL'S MARKET LETTER

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During the stock market's most recent advancing phase, in November-December, 1979 and the first six weeks of 1980, the lack of market breadth, i.e., the relatively small number of stocks advancing, did not go unnoticed by analysts. Likewise, the pronounced breadth weakness once the declining phase began on February 13 was also widely noted. What has gone largely unremarked, is the extent to which this phenomenon has dramatically reversed itself over the short term, since about the end of March. Indeed, by one measurement, the market has shown better breadth over the past three weeks than at any comparable period since the rally in January, 1975, following the 1974 bottom.

This statement in regard to a market which has recently declined almost 150 points and sits within a dozen points of that decline's low, requires some amplification. There exists something which may be called "normal" breadth action, and it is based on the relationship of the number of advancing stocks and the change in the Dow. The precise nature of that relationship over some 10,000 trading days since 1942 has been investigated by computer, and, using this relationship, it is possible, on any given day, to calculate an "expected" number of advances based on the change in the Dow. There exist relatively few time periods in which the number of advancing stocks repeatedly exceeded their expected value. This, however, has been the case to an unusual degree since March 31. In the 12 trading days between that date and April 16, the number of advances was never greatly different from its expected value and often exceeded it by a large amount. By contrast, the 15 trading days between February 5 and February 26 included 13 on which the number of advances was significantly less than the expected number based on the Dow change. The contrast between the two periods is shown in the table below.

ADVANCES					ADVANCES				
DATE	DJIA	EXP.	ACT.	DIFF.	DATE	DJIA	EXP.	ACT.	DIFF.
Feb 5	876.62 + 1.53	802	683	-119	Mar 31	785.75 + 8.10	1040	1190	+150
Feb 6	881.83 + 5.21	923	765	-158	Apr 1	784.47 - 1.28	687	963	+276
Feb 7	885.49 + 3.66	879	802	-77	Apr 2	787.80 + 3.33	857	1018	+161
Feb 8	895.73 +10.24	1086	878	-208	Apr 3	784.13 - 3.67	601	718	+117
Feb 11	889.59 - 6.14	564	565	+ 1	Apr 7	768.34 -15.79	171	342	+171
Feb 12	898.98 + 9.39	1056	744	-312	Apr 8	775.00 + 6.66	986	968	- 18
Feb 13	903.84 + 4.86	918	799	-119	Apr 9	785.92 +10.92	1129	1159	+ 30
Feb 14	893.77 -10.07	425	415	- 10	Apr 10	791.47 + 5.55	951	1237	+286
Feb 15	884.98 - 8.79	465	382	- 83	Apr 11	791.55 + 0.08	757	963	+206
Feb 19	876.02 - 8.96	469	351	-118	Apr 14	784.90 - 6.65	509	497	- 12
Feb 20	886.86 +10.84	1107	868	-239	Apr 15	783.36 - 1.54	687	657	- 30
Feb 21	868.52 -18.34	159	434	+275	Apr 16	771.25 -12.11	314	747	+433
Feb 22	868.77 + 0.25	757	374	-383					
Feb 25	859.81 - 8.96	463	315	-148					
Feb 26	864.25 + 4.44	885	654	-231					

Typical of the February action were February 7 and February 20. On each of these days, the Dow advanced some 10 points, and over 1,000 advancing stocks would have been expected under such conditions. The actual number of advances was more than 200 lower. By contrast, the April period featured such days as April 1 and April 11. On each of these days, the average was essentially unchanged, a phenomenon which, on an historical basis, would produce some 700 advancing stocks. On each day, however, the number of advances was well over 900.

A dramatic reversal of this sort is a fairly rare occurrence in the stock market and has often been associated with important lows. It will be interesting to see whether such an event occurs in the present instance.

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Dow-Jones Industrials (12:00 PM) 769.11
S & P Composite (12:00 PM) 101.21
Cumulative Index (4/17/80) 713.26

AWT:sla

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