

TABELL'S MARKET LETTER

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The market technician, in many cases, finds himself at variance with the rest of the financial community on a number of basic propositions. There exists, for example, conventional wisdom which states that a market which has moved up sharply is, precisely because of this fact, vulnerable and in need of a correction. The technician, by and large, would argue that market strength is a healthy condition which is more likely than not to continue.

The strength of the past four months has some claim to uniqueness. The Dow has moved up 27% over 78 trading days, through August 11, with the largest correction during that period being 2.21%. The only instance of a steeper rally in almost 40 years is the 36% move which took place over just 68 trading days between December, 1974 and March, 1975. In an effort to establish a benchmark for previous rallies to compare with the present one, we have identified in the table below all rallies since 1942 which have continued for 78 days or more without a 5% correction or which have advanced more than 27%. There are 22 such instances.

Starting Date	DJIA	High After 78 Days	% Advance	Subsequent High	No. of Days Later	% Advance From First High
Apr 28, 1942	92.92	108.91	17.2	145.82	287	33.9
Nov 30, 1943	129.57	139.65	7.0	150.50	106	7.8
Sep 14, 1944	142.96	152.53	6.7	161.52	63	5.9
Mar 26, 1945	152.27	169.08	11.0	206.97	166	22.4
Jun 13, 1949	161.60	183.29	13.4	228.38	204	24.6
Jul 13, 1950	197.44	231.81	17.4	235.47	20	1.6
Dec 4, 1950	222.33	255.71	15.0	263.13	45	2.9
Sep 14, 1953	255.49	284.19	11.2	408.89	248	43.9
Mar 14, 1955	391.36	459.42	17.4	487.45	57	6.1
Feb 12, 1957	454.82	506.04	11.3	520.77	26	2.9
Dec 17, 1957	425.65	458.65	17.8	678.10	332	47.9
Oct 25, 1960	566.05	653.62	15.5	734.91	206	12.4
Oct 23, 1962	558.06	684.86	22.7	726.96	73	6.1
Nov 22, 1963	711.49	820.25	15.3	938.23	292	14.6
Jun 28, 1965	840.59	945.84	12.5	995.10	79	5.3
Oct 7, 1966	744.32	849.89	14.2	909.63	67	7.0
Jun 5, 1967	847.77	943.08	11.2	943.08	-	-
Jul 7, 1970	669.36	783.68	17.1	950.82	127	21.3
Nov 23, 1971	797.97	959.18	19.1	971.25	51	2.2
Dec 6, 1974	577.60	786.53	36.1	786.53	-	-
Oct 1, 1975	784.16	949.86	21.1	1,011.02	62	6.4
Jun 1, 1979	821.21	893.94	8.9	897.61	10	0.4
Apr 21, 1980	759.13	964.08	27.0	?	?	?

The first three columns in the table above show the Dow at the start of each of the 22 rallies, the high it had reached after 78 trading days, and the percentage advance to that high. The next column, which is the crux of the table, shows the subsequent high reached before a correction of 5% took place. The last two columns show the number of days the Dow continued to advance, uncorrected by 5%, and the percentage advance at the subsequent high from the high which had been reached after 78 days.

As the table shows, there are numerous instances where rallies comparable to the present one have taken place, and where the index continued to advance for periods of as much as a year with percentage increases in excess of 20%.

It must also be emphasized that the figure in the column entitled "Subsequent High" refers only to the high reached before a 5% correction took place. In most instances, that correction was mild, and the following advance took the market to new highs, often by substantial amounts.

It is also worth noting that every period in the past 38 years that we have come to identify as a major bull market began with a rally meeting the criteria suggested above. This included the markets of 1942-1953, 1953-1956, 1957-1961, 1962-1966, 1968-1972, and 1974-1976.

The record would suggest, in other words, that the sharp market strength since last April, rather than indicating that the averages are vulnerable to a serious correction, leads, based on the historical record, to precisely the opposite conclusion.

Dow-Jones Industrials (12:00 PM) 963.99
S & P Composite (12:00 PM) 125.50
Cumulative Index (8/14/80) 968.48

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