

TABELL'S MARKET LETTER

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Despite the recent loss of what had been obviously unsustainable momentum, as noted in last week's letter, stock market behavior continues reasonably satisfactorily on a short-term basis.

After the triple failure to move through the 970 level at mid-August, the Dow was obviously in need of some correction or consolidation. Such a correction emerged during the last week of August, with the decline from an intraday high of 969.45 on August 22 to an intraday low of 923.04 a week ago. This correction abruptly reversed itself in last week's action, which featured a 12-point rally with over 1300 advancing stocks on Wednesday, auspicious action despite the fact that it was halted in Thursday's rumor-clouded trading. What seems to us most encouraging, from a technical point of view, is the point from which the rally began. We had commented last week that the most discouraging possible action would have been for a downward push to the 940-920 area to take place, followed by continued activity in that area. Such a formation would have produced a potential head-and-shoulders top which might have had serious downside implications. The Dow instead reacted sharply from the middle part of that range, suggesting that the next probable pattern may be a base formation with its upper limit around the mid-950's followed, possibly later this month, by another attempt to move through the 970 triple top.

This scenario gains further credibility based on the action of other indicators. The Dow Transportation Average, which never had formed all that much in the way of a top, attained both new closing and intraday peaks in Wednesday's and Thursday's trading. So did the American Stock Exchange Index, for which new highs have become the rule rather than the exception. The Dow Utilities which, in a market sensitive to interest rates, had reached their downside objective in early August, also moved ahead sharply on Wednesday and, like the Industrials, moved into the area of overhead supply from their earlier peak around the 115 level, a peak which, in the case of utilities, had been scored back in early July. As is the case with the industrials, another attack on that peak appears a likelihood.

Perhaps the most interesting technical action over the past couple of months has been shown by the various financial averages which, unlike some other indicators, retreated relatively little in the recent market weakness. The New York Stock Exchange Financial Index had held in a range between a closing low of 65.37 on June 20 and 68.21 on August 15. It was penetrated on Wednesday, with the achievement of a new peak at 68.75. The Standard & Poor's Financial Index has held in a similar lateral formation with a low around 12.80 and a high, to date, around 13.30. That high, in turn, was just about equalled this week. Continued strength in financial issues could provide a new major area of market leadership.

DATE	DJIA	ADVANCES			
		EXE	ACI	DIEE	
AUG 15	966.72	+ 4.09	871	855	- 16
AUG 18	948.63	-18.09	217	268	+ 51
AUG 19	939.85	- 8.78	494	458	- 36
AUG 20	945.31	+ 5.46	917	897	- 20
AUG 21	955.03	+ 9.72	1044	1187	+143
AUG 22	958.19	+ 3.16	853	1007	+154
AUG 25	956.23	- 1.96	696	588	-108
AUG 26	953.41	- 2.82	660	694	+ 34
AUG 27	943.09	-10.32	444	432	- 12
AUG 28	930.38	-12.71	363	386	+ 23
AUG 29	932.59	+ 2.21	800	753	- 47
SEP 2	940.78	+ 8.19	987	1049	+ 62
SEP 3	953.16	+12.38	1137	1355	+218
SEP 4	948.81	- 4.35	628	795	+167

Meanwhile, breadth action, a cause of possible concern as discussed last week, has been satisfactory throughout the entire episode. The table at the left shows the actual number of advancing stocks versus the normal or expected number based on the change in the Dow, a concept which we have discussed in this letter in the past. As the table quite clearly indicates, the number of advancing issues on most days since the market began its decline on August 15 has been not that different from the normal value, and on at least four days, including Wednesday and Thursday, the number of advancing stocks was significantly greater than its expected normal value. Our daily breadth index, meanwhile, has moved extremely close to a penetration of its last

benchmark high, achieved last January 28. In short, more evidence appears to be required before it is possible to draw unduly pessimistic conclusions from the market correction since mid-August.

Dow-Jones Industrials (12:00 PM) 946.33
S & P Composite (12:00 PM) 125.32
Cumulative Index (9/4/80) 993.54

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