TABELL'S MARKET LETTER

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November 21, 1980

The market strength demonstrated a week ago had a satisfactory follow-through in last week's trading. A 70-million share advance on Tuesday took the Dow to a new rally high of 997.95. Following a mid-week correction, market strength was renewed late Thursday, and the average reached a closing figure of 1000.17. The S & P 500 concomitantly reached an all-time peak of 140.40.

There had been a fair amount of rhapsodizing in the financial press about the market of a fortnight ago, centering around the rather spurious claim that the week ending November 14 saw the second largest stock market advance on record, coupled with the fact that the Dow was approaching the "magic 1000 mark" which, this week, it finally attained. To the serious student of stock-market history, the week's action, while both commendable and encouraging, was not in the least unusual. To begin with, it was the second largest advance on record only in terms of points gained on the Dow, the 54-point rise having been exceeded only by a 74-point rise in the week ending October 11, 1974. However, as we were all taught in grade school, the proper method of measuring such items is in terms of percentages. There have been, for the record, 51 weeks in the past half century in which the Dow advanced by a greater percentage amount than the 5.78% gain scored a week ago. The all-time record was 22.7% for the week ending August 6, 1932, and the modern record of 12.6% was set in October, 1974. Had the latter advance been duplicated, the Dow would have begun this week at 1050, and the former would have taken it to 1140.

Sixty-eight percent of all issues traded advanced last week, hardly a startling figure since it has been exceeded 218 times since weekly breadth figures were compiled, including 4 times this year and 49 times in the past decade. Even the 276.7 million shares of volume failed to set a record. Volume was greater as recently as the week ending last September 19, and has been over 250 million shares on the week a dozen times in the past 13 months. What we had, in fact, was a typical, satisfactory component rally in an ongoing bull market.

Nor, as we have said many times before, are we proponents of the belief that numbers ending in three zeros have any particular magic quality. The Dow, it is true, has been turned back after reaching the 1000 level on a number of past occasions. However, the exact level at which this sort of resistance has occurred has never been precise, and we strongly suspect that it has been manifesting itself the trading area with a top at, roughly, 970 which contained the Dow from mid-August to early November.

None of the above is intended to suggest that the action of the past fortnight is totally without significance. The inability of the averages to make upside headway and the possible implications thereof have been just about the favorite subject of this letter since last summer. It has certainly been impossible, in commenting on the market over the past couple of months, to ignore the fact that many issues, which had lately posted almost vertical rises, had begun to move laterally, forming what might have been considered potential tops. The significance of the past two weeks is the fact that most, although, it must be duly noted, not all, of those potential tops were destroyed in the recent market strength, as the issues involved broke out of their individual trading ranges and moved ahead to new highs. Such action was notable in the area of Energy stocks and a fair number of High Technology issues, many of which demonstrated that they may be ready to embark on new upside legs.

As noted, however, potential tops still exist, and it would, moreover, be optimistic to expect Energy, High-Technology, and other leading groups totally to carry the burden of market leadership in the same fashion that they have been carrying it for the past two years. In other words, if the bull market is to be adjudged an ongoing phenomenon, more stocks must be able to post upside breakouts from their recent trading ranges, and new leadership must emerge. Signs of such possible leadership were beginning to become evident this week in such areas as Chemicals and Forest Products.

What last week's action does is reinforce the presumption that the bull market that began in March, 1978 is a continuing and present phenomenon. We devoted last week's letter to trying to fit that bull market into the context of normal cyclical patterns and concluded that it would not be historically unusual for it to have another year of life remaining. We also noted that a fairly substantial advance from current levels would not be totally out of historical context. Such a normal cyclical advance would take the Dow to somewhere in the area of 1200 which, coincidentally, happens to be one of the more plausible intermediate upside objectives based on the existing pattern.

We are proceeding on the assumption, in other words, that another 6-12 months of a strong stock market is the most likely of all possible environments. Subsequent action may invalidate this particular thesis, but, until such action occurs, a continued aggressive attitude toward equities appears warranted.

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Dow-Jones Industrials (12:00 PM)	994.97
S & P Composite (12:00 PM)	139.55
Cumulative Index (11/20/80)	1051.65

AWT:sla