

TABELL'S MARKET LETTER

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The stock market's reaction to a new President in office and the hostages being freed has been, to date, something of a non-event. It is as if the market is saying to us, "I am from Missouri. You've got to show me."

The action of the Dow-Jones Industrial Average in recent months has been contained in a trading area, albeit volatile, which was established from the December 11 low of 908.45 on the DJIA, to the recent closing high of 1004.69 on January 6 of this year. The significance of the December low, which we have discussed in recent market letters, becomes an important reference point to watch when trying to study the familiar seasonal tendency of the stock market for the year. Also the closing high for this year must certainly be viewed as an important benchmark, as it represents the fourth time within a period of 15 years that the Dow-Jones Industrial Average has broken the 1000 level and been unable to significantly sustain the move. Penetration of this trading area, therefore, may well give us a clue to the direction of the market and must be monitored closely.

Of the many crosscurrents present in the market today, the one most obvious to followers of the stock market is the weakness in the oil-related groups. The Crude Producers, Integrated Domestic, and Integrated International Oil companies that make up the S & P Oil Composite represent 22.4 percent of the S & P 500. Obviously the current weakness in these stocks has had a depressing effect on the averages.

	52-week High	1981 Low	Percent Change		52-week High	1981 Low	Percent Change
<u>Oil: Crude Prod.</u>				<u>Oil: Integrated Dom.</u>			
General Amer. Oil	61.00	43.50	-28.69	Atlantic Richfield	74.38	58.75	-21.01
Louisiana Land	63.75	42.25	-33.73	Cities Service	61.25	40.75	-33.47
Mesa Petroleum	69.25	52.63	-24.47	Conoco	73.00	59.00	-19.18
Superior Oil	251.00	185.00	-26.29	Getty Oil	108.25	82.00	-24.25
Houston Oil & Min.	57.88	49.13	-15.12	Phillips Petroleum	62.88	51.63	-17.89
<u>Oil: Integrated Inter.</u>				Shell Oil			
Exxon	88.75	75.50	-14.93	Standard Oil Ind.	99.50	70.88	-28.76
Gulf Oil	54.50	40.00	-26.61	Sun Co.	59.63	40.75	-31.66
Mobil	89.50	74.75	-16.48	Union Oil Cal.	56.50	39.00	-30.97
Royal Dutch	112.25	91.68	-18.33				
Standard Oil Cal.	117.50	92.00	-21.17				
Texaco	54.38	41.25	-24.14				

As the exhibit above shows, substantial percentage declines from the stocks' 52-week intraday high to their 1981 intraday low have uniformly taken place. This across-the-board correction has done serious long-term technical damage to the oil-related group. The ability of these stocks to hold above the 1981 lows listed above would indicate the start of a possible consolidation phase, however, penetration of these lows would reestablish the existing downtrends. Offshore Drilling, Canadian Oil and Gas, and Oil Well Equipment and Services, not included in the above study, reflect similar percentage declines.

Within the framework of a general market that has been moving laterally for a period of five months, the oil-related stocks have corrected their impressive gains, while not disturbing other sectors of the market place. In other words, these bearish oil-related groups have, in fact, been offset by bullish groups in other sectors such as the Chemicals, Drugs, Papers, Steels, and interest-sensitive groups, to name a few. This rotation of leadership is constructive for two reasons. First, it has a tendency of limiting the downside risk of the general market by having groups in different stages at different times, and second, it takes the pressure away from a group like the Oils which, until recently, has performed extremely well. However, it must be noted that the majority of these stocks started their impressive rise from the 1974 lows, and it would seem logical not to expect them to continue to lead the market in the next advancing phase.

As previously stated, a trading range has been defined in the Dow-Jones Industrial Average. While contained in this area, rotation of leadership continues from group to group. At some point, an upside or downside breakout of this trading area will take place. Being unable to identify the direction of the breakout at this time, we must continue to assume a "show me" attitude.

Dow-Jones Industrials (12:00 PM) 955.80
S & P Composite (12:00 PM) 130.85
Cumulative Index (1/29/81) 1029.08

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