

TABELL'S MARKET LETTER

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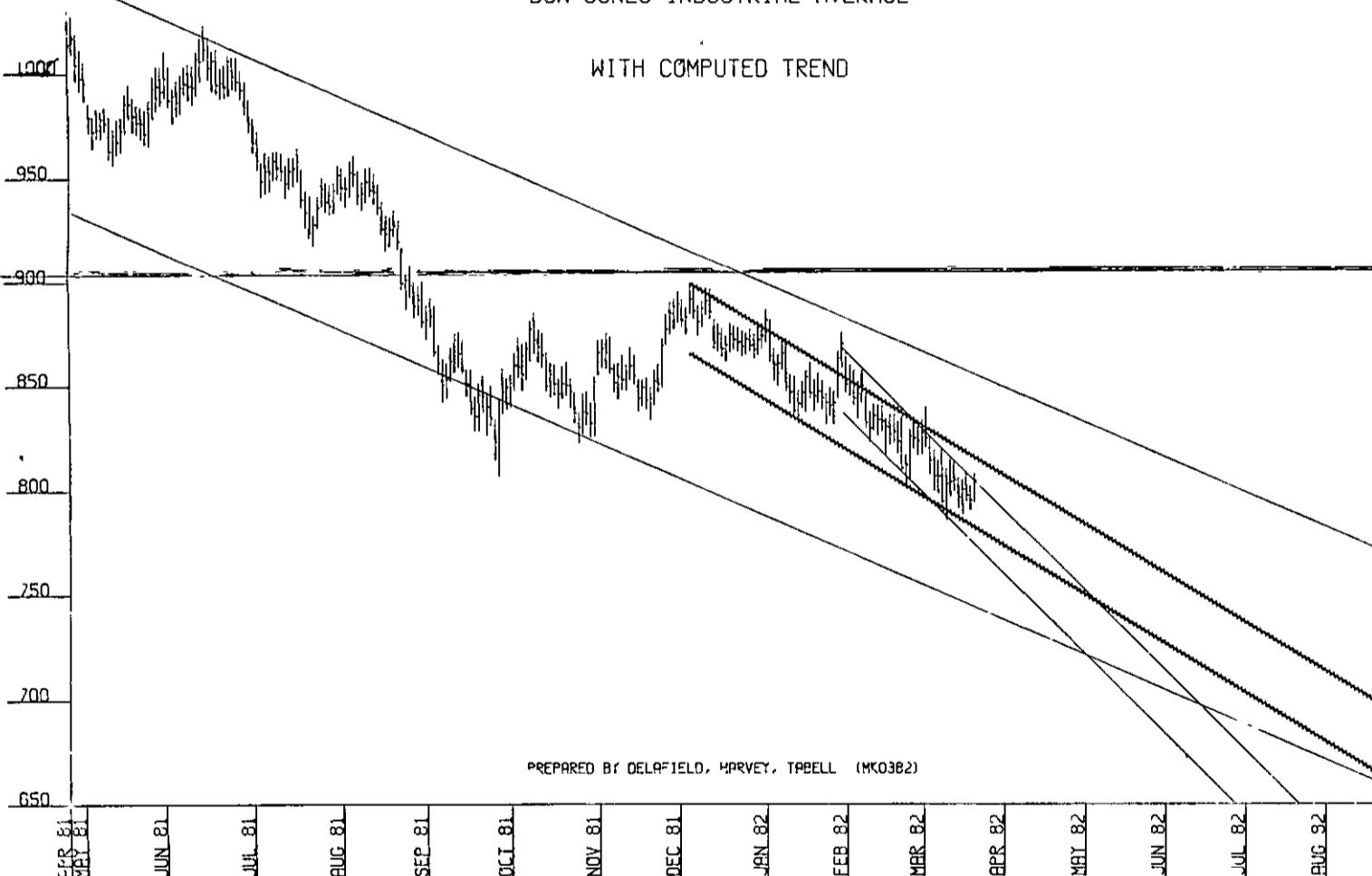
March 19, 1982

Regular readers of this letter are aware that it is our practice to follow the action of major market indices in terms of computed trend channels. These channels are similar to the "eyeball" trend lines drawn by technicians for years, but they have the additional virtue of being correct mathematical descriptions of past market history. In and of themselves, of course, such channels are simply descriptive, having no intrinsic predictive value. They do, however, possess the virtue of allowing the analyst to determine whether market action at any given time is consistent with that exhibited by past trends, thus allowing a judgement as to whether such trends may still be in effect.

We plot these trends from past recognized high points to low points (or vice versa), usually trying to identify a major, an intermediate, and a minor trend. In the case of the Dow it seems obvious that the last major high was 1024.05 on April 27, 1981 and the last intermediate high on December 4, 1981 at 892.69. The last minor high may be taken to have occurred on January 29 at 871.10. The low for all three trends was 795.47, reached on March 8. The following chart shows all three trend channels, with the Dow shown daily through this Thursday and the trend channels plotted forward until early next Fall.

DOW JONES INDUSTRIAL AVERAGE

WITH COMPUTED TREND



The steepest trend, as is usually the case, is the minor trend from January. If this trend remains in effect, it can be projected forward to intersect the low point of the major trend channel at around 720 in late April-early May. This would be a logical juncture to look for a bottom to occur. If, on the other hand, the minor trend is broken, something that could occur with continuance of the recent strength, and the upper level of the intermediate channel, now around the 820 level, holds, the eventual bottom would have to be projected out further in time to a level just under 700 some time in September. Of course, the breaking of either or both trend channels on the upside could suggest that an attempt at a bottom was taking place at a higher level preparatory to an eventual assault on the upper limit of the major downtrend, which is now at approximately the 855 level. With the timing about right for the end of a major-cycle downphase, trend analysis may well be of some aid in pinpointing just when that phase may have reached its low.

ANTHONY W. TABELL
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AWT:rs
Dow-Jones Industrials (12:00 p.m.) 804.03
S & P Composite (12:00 p.m.) 110.37
Cumulative Index (3/18/82) 1048.68

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