TABELL'S MARKET LETTER

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It may be nothing more than the summer rally, a seasonal phenomenon which cannot have gone unremarked by regular readers of this letter, but the stock market celebrated the 4th of July --- or at least the post Independence Day period --- by putting on its own fireworks display. If the display was somewhat less than spectacular than those of us with long memories recall and would like to have seen, it was at least somewhat better than the continuous fizzle which characterized the first half of 1982.

Anyone who tries to read the classic signs of a take-off rally into the last couple of weeks action is, it must be said, wearing glasses of a definite roseate hue. The 1118 advances chalked up on July 9 and the 1061 rising stocks of June 12 fall far short of the sort of breadth statistics needed to get the juices really flowing. Likewise, although July 12 provided the third highest first hour on record, its final total of just under 75 million shares was still only 1.4 times what volume had been averaging for the past 25 days. The parameters for this statistic, it will be recalled, are that 1.5 is a mildly encouraging level, and something over 2.0 is required to produce wild excitement. Nonetheless, after reaching its last low of 795.57 on June 9, the Dow was up some 30 points from what can be considered a successful test of that low at 796.99 on the Friday prior to the 4th-of-July Holiday.

It is true that the stock market exhibits repetitive behavior patterns, and, indeed, if this were not so, we technicians would have to find respectable employment. Nonetheless, subtle new differences do emerge over time, and we are getting to be at least receptive to the idea that some such differences may be emerging in 1981-1982. It is, for example, quite easy to identify the culprit which caused the admittedly-crummy breadth action, as the market turned on heavy volume at the end of last week and the beginning of this. That culprit was the Oil group, abetted, to a lesser extent, by other natural resource stocks. On the day the market staged its dramatic intra-day turn, most domestic oils wound up posting multi-point declines. This should not have been too surprising, since oils have been mildly out of gear with the market for almost two years. In general, most issues topped in November, 1980 well before the Dow's peak in April, 1981. They were the downside leaders in the 1981-82 bear market, obscuring at least mildly respectable performances by fairly large groups of other issues. In a way this fact is not even new. Rigorous academic studies have proved oils, as a group, tend to display relatively low covariance with the rest of the market and have done so over a multi-decade period. The disparity, however, appears especially noticable in the past couple of years.

Meanwhile, if the market is failing to display the classic signs of an irrational-panic, oversold condition followed by a takeoff rebound that we, and many other technicians, are hoping for, it continues, at the very least, to set new records for remaining oversold for a protracted period of time. We noted in this space two weeks ago the fact that the Dow has remained in the lower portion of its 200-day range for near record lengths of time. Another measure of the market's extended oversold condition can be found in the statistics on new highs and new lows. Back in early October, 1981 706 issues posted new 52-week lows, a number constituting just over 33% of all issues traded. The low of March saw 451 new weekly lows and June's figure was 349. This week will constitute the 40th consecutive week in which weekly new lows as a percentage of issues traded refused to post a new peak.

Now this is, of course, a common happening when the market is advancing. However, it is fairly rare during bear-market periods, which can be defined, using high-low statistics, as periods where new highs never reach more than 10 percent of all issues traded. The latter has also been true since last October. It is the longest consecutive period that both conditions have remained true in the past 40 years.

It is, in fact, only the seventh occurrence since 1942 where the condition has persisted for 30 weeks or longer. Of the previous ones, it should be noted that five were associated with major bear-market bottoms, 1942, 1946, 1953, 1962, and 1970. The other occurred following the Halloween Massacre of 1978, a unique phenomenon which, while intermediate-term, possessed many of the qualities of a bear market.

There is, in summary, going to be no pronouncement from this quarter that the market has achieved its ultimate low. It may or may not have done so. It seems to us, however, that the preconditions for such an event are indeed present, and it is likely that overly scrupulous attempts at pinpoint timing will, at this stage, be a somewhat unrewarding exercise.

ANTHONY W. TABELL
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AWT:rs

Dow-Jones Industrials (12:00 p.m.)	826.10
S & P Composite (12:00 p.m.)	110.31
Cumulative Index (7/15/82)	1091.72