TABELL'S MARKET LETTER

Delafield, Harvey, Tabell
909 STATE ROAD, PRINCETON, NEW JERSEY 08540
DIVISION OF
Janney Montgomery Scott Inc.
MEMBER NEW YORK STOCK EXCHANGE, INC.
MEMBER AMERICAN STOCK EXCHANGE

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The month of July has featured another one of those round trips which have been frustrating investors for the better part of the past year. In terms of the Dow Jones Industrial Average, after testing the bear-market low (788.62 on June 18) at a level of 796.99 on July 2, the market, was able to stage a modestly respectable rally reaching a closing peak of 833.43 on July 20. Since that time, in six consecutive trading sessions of losses, just about the entire gain has been given up with the average having reached an intra-day low of 801.46 on Thursday.

This action is, in our view, moderately disturbing for the short term but not necessarily all that important insofar as our longer term view of the market is concerned. That view can be restated quite simply. It is and has been that we expect a major cyclical low to be posted sometime prior to the end of 1982, probably no later than early this Fall. There have been three major attempts so far to score such a low in September, 1981, March, 1982, and June, 1982. All three of these attempts were, at roughly the same level, just under 800. We do not look for any future low to penetrate significantly below that level, although such a low could well be modestly lower. Our view of the September-to-date process, then, is that it constitutes a base formation --- not a prelude to disaster.

At the same time it must be noted that at no time since last September has the market presented any evidence of scoring a terminal bottom nor has it demonstrated any worthwhile rallying tendency. As noted above, the aborted July advance is simply another one of a series of failures on the part of the market to demonstrate any sort of significant upside breadth or vigor. Indeed, the latest burnout can conceivably be viewed as an indication that the final downward probe in the ongoing base-formation process may be delayed until September or October.

This possibility is underscored by the fact that the reversal occurred in July, traditionally a strong stock-market month. We have noted in the past that, of the 12 calendar months, only September and December appear to have highly significant statistical biases, the former downward, the latter upward. The tendency toward a rally during the Summer is, however, at least, moderately pronounced. Of 56 Julys since 1926, the market, as measured by the Dow, has advanced in 36 and declined in 20. The average change for the 56 Julys has been +1.88% which is the largest average change for any of the 12 months. The month's past history of showing an advance 64% of the time is second only to the record of December.

It is also possible, unfortunately, to draw some tentative conclusions from the failure of the expected July rally to materialize in 1982. A good July has, in the past, tended to be a fairly decent harbinger of things to come. There have, for example, been 15 cases since 1926 when July showed an advance of 5% or greater. In 12 of the 15 years that such was the case, the Dow subsequently posted an advance from the July close through the December close. Indeed, in only one case, 1937, did a strong July rally lead to a significantly weaker market. In that year a 9.62% advance in July was followed by a 35% collapse over the rest of the year. With that exception, the worst subsequent performance was a decline of just over 6%. The average change in the Dow for the final five months of those 15 has been 4.35%, three times as great as the 1.63% average for all five-month periods starting in August, 1926.

On the other hand, a July failure such as the one we have, this year, experienced, tends to augur considerably less well as far as the rest of the year is concerned. There have been 26 years in the past 56 where the July advance was 2% or less or where July posted a decline. Subsequent five-month action shows an only slightly-better-than-even record, the market having advanced in these cases 14 times and declined 12 times. This is a fairly disappointing performance considering the fact that, overall, the market has shown 35 advances and 21 declines over the final five months of the year. The average performance for the 21 five-month periods following a weak July has been a miniscule advance of .08% versus an average advance for 56 years of 1.36%.

Another way of looking at the same numbers above is to say that, of 21 instances where the market declined between the end of July and the end of December in the past 56 years, only three, or 14%, were proceeded by a July advance of 5% or greater, while 12, or 57%, were preceded by a weak advance, such as the one that occurred this year.

Now, as we noted above, we are not here forecasting significantly lower levels. As we have been suggesting, cycle theory strongly suggests that, even if the December close is lower than today's, the market, at that stage, will already have bottomed. It is difficult, however, to view July's action as being other than disappointing in a near-term sense.

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL

AWT:rs

Dow-Jones Industrials (12:00 p.m.)	813.17
S & P Composite (12:00 p.m.)	107.63
Cumulative Index (7/29/82)	1076.61