

TABELL'S MARKET LETTER

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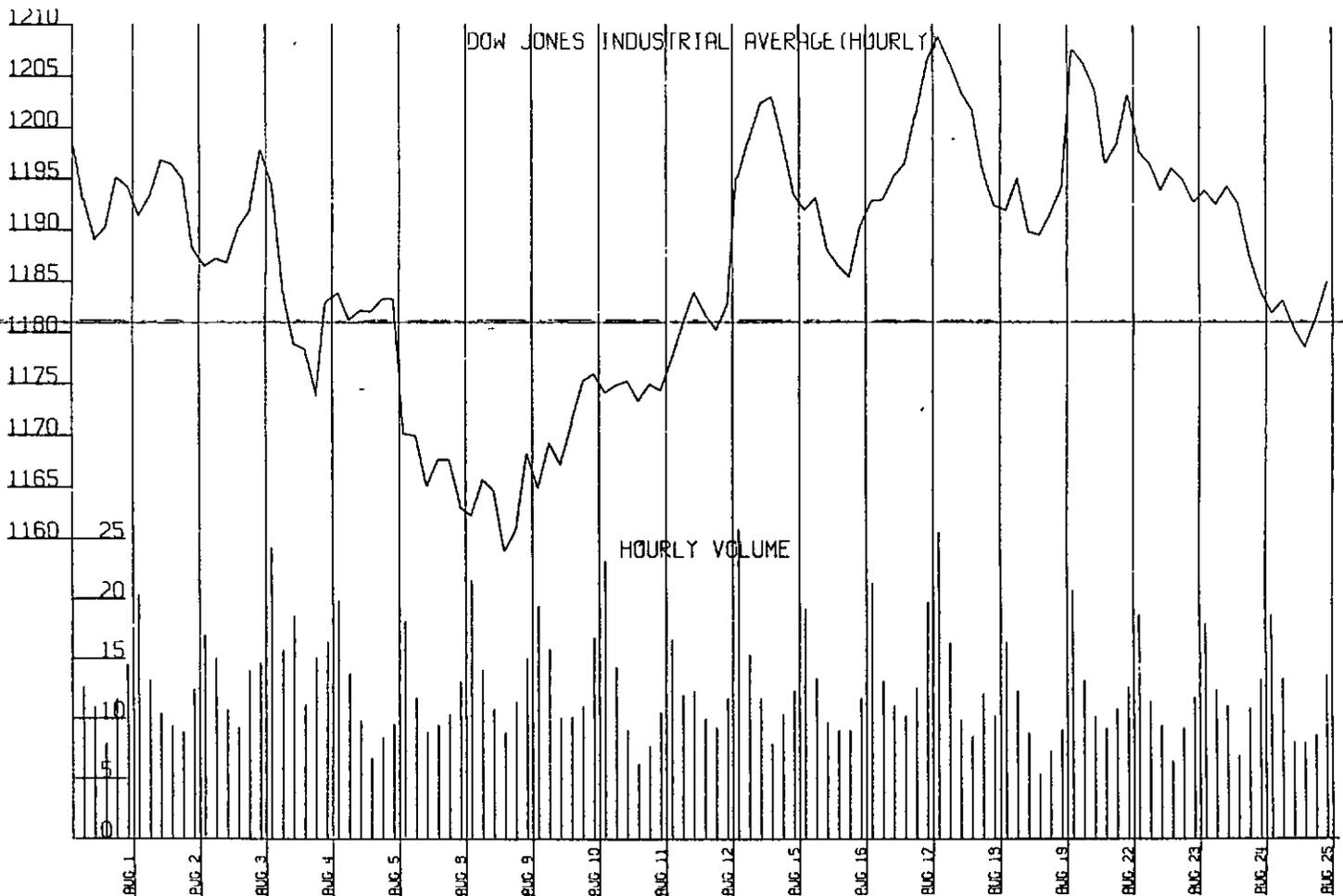
Janney Montgomery Scott Inc.

MEMBER NEW YORK STOCK EXCHANGE, INC.
MEMBER AMERICAN STOCK EXCHANGE

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We discussed at some length last week the fact that we considered the break below the 1180 level on the Dow, which took place in trading of August 4-8, to be significant from a technical point of view. We also noted that we continued to feel this way despite the fact that, immediately after breaking down and reaching an hourly low of 1158.85 at 2 p.m. on August 9, the market rallied fairly sharply and the low then achieved has held for 2½ weeks to date. In that intervening 2½ weeks there has, it seems to us, been less and less scare talk about interest rates and more and more confidence expressed about the resumption of the bull market later on this year. Implicit in this new view, it seems to us, is that in the intervening period prices are unlikely to move much lower.

By contrast, we see nothing in what has taken place during August, 1983 to make us wildly sanguine about the short-term outlook. We categorized this action last week as a typical rally into overhead supply, and we see no reason to alter this view. This can perhaps be clarified by the chart below, a shorter-term device than those generally used in this letter, which traces hourly changes in the Dow-Jones Industrials during August, together with hourly volume figures.



The chart clearly shows the breakdown which took place in the early part of the month and the subsequent rally from mid-day August 9 to a 2 p.m. high of 1202.95 on August 15. It is action since then that has been particularly desultory. There have been three separate downthrusts, the last one of which culminated in the lowest bottom of the three yesterday. It is the volume trend on those three downthrusts that is of interest. On each one, volume decreased as prices moved lower, generally tending to reach its lowest point, somewhere about 5-7 million shares of hourly volume, at the low point. Contrary to generally accepted theory, this is not bullish action. It suggests, rather, that lower prices were unable to generate demand and that selling temporarily ran out of steam. It is in contradiction to the action of August 5-9, when lower levels generated increasing volume which carried over at least into the early part of the subsequent upside move.

This lack of demand suggests to us that the August 9 low is likely to be tested and penetrated, thus confirming the significance of the break from 1180. As noted over the past two weeks, this break suggests downside objectives in the 1100-1050 range. At around that level, the sort of demand necessary to produce a meaningful turn might be generated.

AWT:rs

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL

Dow-Jones Industrials (12:00 p.m.) 1185.67
S & P Composite (12:00 p.m.) 160.49
Cumulative Index (8/25/83) 1941.27

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