

TABELL'S MARKET LETTER

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DIVISION OF

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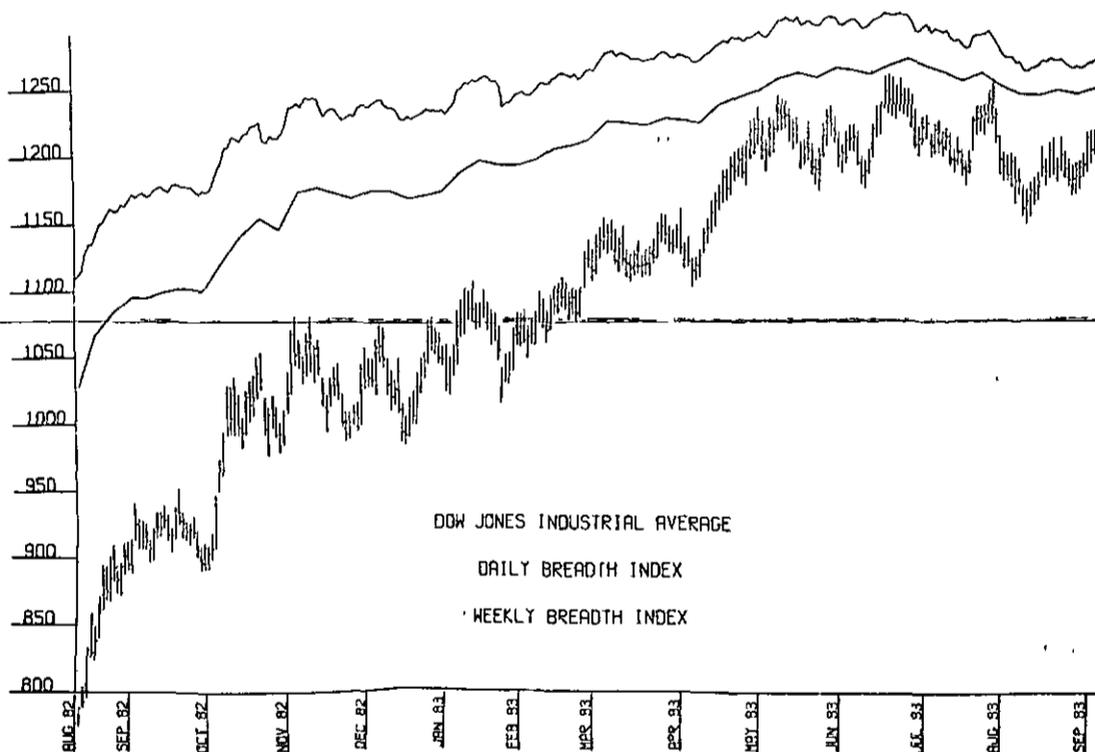
MEMBER NEW YORK STOCK EXCHANGE, INC.
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"Curiouser and curiouser", was the remark of Lewis Carroll's Alice upon arriving in the wonderland where everything was turned on end. It is a remark applicable to the current stock market. In early August, the Dow flirted for some days with the low around 1180 which it had been able to hold since April. It broke that low on August 8th but, within a week, had moved back above it.

This week the Dow executed the mirror image of that trading pattern. A 23-point rally on Tuesday took the Average back to the vicinity of its all-time high, and it has since been fluctuating around that high. Were the total mirror image to emerge, one would expect a new all-time high followed by a reverse failure to follow through and a return to the trading range.

Whether this will be the case remains to be seen, but a new high achieved at this point would be quantitatively different than the previous string. The chart below shows the Dow together with (upper line) a daily breadth index and, below it, a weekly breadth index. The change in pattern of these two indices since June is noticeable.



As the chart clearly shows, each and every successive high posted by the Dow between August 1982 and June 22nd was confirmed by a simultaneous high in both breadth indicators. Action since June has been quite different. The Dow has scored three successive, approximately equivalent peaks. Each of the two breadth indices, however, shows a noticeably lower low at these peaks. Breadth, in other words, has not been in a sideways trading range, but in a downtrend.

What does this suggest? Quite obviously, as far as the past 2½ months are concerned, it indicates that the totally unselective phase of the rise has come to an end. This is perfectly normal, and we would not expect lack of selectivity to return, even when, as we expect, higher prices ultimately ensue. What is perhaps more important is that a new high, when posted, will certainly not see an immediate confirmation by either of the breadth indicators. Any new high that is scored over the near term, therefore, will set up a potential breadth non-confirmation.

This has often appeared in the past in the middle stages of bull markets, and breadth has eventually confirmed new highs on the Dow on a lagging basis. A fair amount of strength will be required to accomplish this, however. On Wednesday the daily breadth index was 13.3 points below its June high. A good day (1250 - 1300 advances) produces a 2½ - 3-point rise in the index. The weekly indicator is currently 9.82 points below its peak, and a good one-week rise for this index is in the 3 - 4-point range. In other words, even a new peak scored at the present time will require some further confirmation.

AWT:lt

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Dow-Jones Industrials (12:00 p.m.) 1242.17
S & P Composite (12:00 p.m.) 167.51
Cumulative Index (9/8/83) 2012.97

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