TABELL'S MARKET LETTER

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It is unavoidable that this letter possesses some resemblance to letters which have ushered in past New Years. The reason for this is that our last issue of each year has, for some 20 years now, discussed the ubiquitous year-end rally and the near inevitability of that rally's continuing into January of the following year. Indeed, until six years ago, we would not have had to use the qualifying adjective "near" in the previous sentence since, until January, 1977, such a continuance had been the universal case for as far back as the Dow-Jones Industrial Average had been computed. That year and the subsequent one constituted a two-year break in a tradition which has, happily, resumed. Those of us aware of this fact were, therefore, hardly surprised at the stock-market excitement which ushered in 1984.

From the technician's point of view, the performance was not without its impressive features. It is doubtful that, based on the week's action, the stock-market patient can be pronounced completely cured, but he has, at least leapt from his hospital bed and is dancing down the aisles. The most impressive feature of all was, of course, the widely-heralded volume record with activity on Thursday setting a new all-time peak of almost 160 million shares. As has been widely noted, bull markets are fueled by volume, and, on Thursday, we got precisely that.

The Wednesday and Thursday action of the averages was also reasonably persuasive. Wednesday's 16.31-point advance in the DJIA was the best in over a month and was the largest point-change, save for six sessions, since the market desuetude set in last June. Even more impressive was the 2.74-point rise in the S & P 500, a figure which had been exceeded but twice, and only by small amounts, during the enitre year 1983. Breadth, as every writer of a technical market letter in the industry has been pointing out, has been the weak sister of the trading pattern since June, and, in this light, the ability to string together two consecutive days on which more than 1200 issues advanced must be viewed optimistically. Indeed, this particular development has not occurred since November of 1982, a time when the bull market was still in the giddy era of its youth.

The patient is thus much improved, if not yet ready for release. First of all, neither the Dow or the S & P 500 have yet reached new highs, and the ability to do so would be encouraging. The senior average remains half a dozen points below its November 29 closing peak of 1287.20. Ability of the S & P 500 to reach new highs would be even more encouraging. That index, now around 168, posted its all-time high in October at 172.65, failing to reach new peak levels on the November rally. Unlike the Dow, which has presented a pattern of rising bottoms since last August, it had returned late last month to a twice-tested low around 161. Thus further strength here would be even more crucial than in the case of the Dow.

Breadth, of course, is even more critical. As noted above, the existing divergence has been widely heralded. It continued through the last week in December, when the breadth index exceeded its November 7 low, despite the fact that the Dow held some 30 points above its comparable bottom. The two rallying days brought daily breadth to a level just under that attained on November 29, when the Dow reached its high, and a couple of days of decent strength could bring it above that level and provide the first real sign of improvement in seven months. More time, and a great deal more strength would still be required before the divergence, which goes back to last June, could be erased. Finally, it seems to us, a healthy market would have to see some improvement in the comparatively disastrous action which has occured over the counter. A slight glimmer of light was provided when the OTC Industrial Average, in mid-December, managed to hold its November low, a low which culminated a 23% decline. However, the relative strength lines of the OTC Industrials, compared both to the Dow and the S & P, were reaching new lows as recently as December 28. There has been some recoverysince, but a vigorous market would require secondary and tertiary issues to demonstrate their natural volatility on the upside.

Our own forecast, of course, expressed two weeks ago, is that at least some of these phenomena of improving health will manifest themselves,, and the market, at least during early 1984, will move on to new highs. Whether, along the way, enough vigor will be manifested to suggest a full-scale resumption of the cycle is a question which remains, for the time being, unanswered.

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Dow-Jones Industrial Average	(12:00 p.m.)	1281.51
S & P Composite	(12:00 p.m.)	168.76
Cumulative Index (1/5/84)		2066.66