

# TABELL'S MARKET LETTER

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~~Well, wasn't that fun?~~ After flubbing a summer rally attempt in June, the market was able to put on a spectacular show this week, including a 50-point, two-day rise and, most notably, record volume on Thursday and for the first hour Friday morning.

Let us try to put this week's events in perspective. The recent fireworks can be viewed as one of seven short-term rallies which have taken place since the bull market began on August 12, 1983. The rallies are listed in the table at the right.

The first three mark the start of each of the three component legs of the major-bull-market upswing which, in total, took the DJIA from 776 in August, 1982 to 1248 in June, 1983. We have excluded the various rally attempts during the toping phase between that time to January, 1984, although they could, appropriately, have been included. The last three listed are the two aborted attempts at reversal in February and June, plus the current advance to date.

How does the present rise stack up against its five predecessors? First of all, it has already comfortably exceeded the total percentage advance chalked up on the two failed rally attempts. The table below sets out some other measures of upside momentum, the first three being figures for the first seven days of each advance, and the last four showing peak single-day statistics in the early stages. It will be noted that the statistics shown are measures of upside action exclusively. There was a time when measuring the depth of an oversold condition was an important part of a reversal test. This has been less true recently, the last full-scale selling climax having occurred in 1980.

First Seven Days	8/12/82	9/30/82	1/24/83	2/22/84	6/15/84	7/24/84
Percent advance	11.88	10.11	4.42	4.03	4.11	7.32
Upside volume as % of total	67.62	68.64	45.57	53.38	54.76	68.77
Total advancing stocks	7723	7098	5750	6005	5738	7183
Peak Day						
Adv. stocks as % of total	81.04	74.27	60.78	67.17	54.08	73.56
Upside vol. as % of total	95.75	87.16	77.78	80.12	72.97	87.90
Vol. as % of 25-day average	231	194	112	110	143	203
Short-term trading index	.24	.42	.42	.52	.33	.42

The numbers above are, it seems to us, self-explanatory. Based on most statistics, the advance seems to have equalled, or fallen just short of, the rallies which were the feature of August and October, 1982. Likewise, by most measures, it seems to have exceeded the other three rallies. This is not surprising. Indeed, it is just about what should have been expected.

We outlined last week the fact that our preferred market scenario was to view weakness of 1984 to date as an intermediate-term correction within the framework of an ongoing bull market. If this week's action signals that that intermediate-term correction is over, one would expect the dynamics of the reversal to be less than those of the bull market's early stages, but greater than the failed rally attempts during the declining phase. This is precisely what took place.

The question of whether our original scenario will turn out to be the correct one requires the accumulation of further evidence. Part of our view has been the speculation that early 1984 might turn out to be what is known, in technician's parlance, as a fulcrum base, consisting, as it does, of two trading ranges, the first at 1140-1180, and the second, lower range at 1080-1140. The market rocketed out of that lower range this week. Normally, one would view the upper one as potential overhead supply. Therefore, if our thesis is correct, one would expect a move through the upper area without too much in the way of digestion.

The Dow, indeed, did just that on Friday morning, reaching 1190 before pulling back. Obviously this breakout must be confirmed by further testing. If so, we will then be able to assess the upside prospects.

AWT:rs

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Dow-Jones Industrials (12:00 p.m.) 1185.29  
S & P Composite (12:00 p.m.) 160.98  
Cumulative Index (8/2/84) 1890.18

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