

TABELL'S MARKET LETTER

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With the Dow still locked in another one of its trading ranges, we decided this week to reexamine the recent action of individual issues to see if we could produce some additional insight into the internal behavior of the market over the past year. To this end, we screened the price action of 1,643 individual stocks, 1,150 on the New York Stock Exchange, 167 on the American Stock Exchange and 326 Over-The-Counter. We tabulated for each of these stocks (1) its 1983-early 1984 high, (2) its low to date following that high, and (3) the highest price reached subsequent to that low. This enabled us to compute, for each stock, its average 1983-1984 decline, its subsequent percentage advance and the average percentage of decline recovered. The results are shown in the first four columns of the table below, with comparable figures for three market averages in the right-hand three columns.

	Average Stock			All	DJIA	Averages	
	NYSE	ASE	OTC			ASE	OTC Comp.
% Decline 1983-1984	-37.10	-48.18	-50.84	-41.01	-15.59	-24.84	-30.86
% Advance 1984	+39.22	+52.29	+47.64	+42.21	+14.10	+15.61	+13.23
% of Decline Recovered	76.87	69.08	59.80	72.69	76.34	47.24	29.64

At first glance, some paradoxes are apparent. The first thing that the table shows is that the average stock declined, during 1983-1984, about twice as much as the average representing the exchange on which it is traded. The second apparent paradox lies in the average percent-of-decline recovered to date. The average NYSE stock has recovered about the same as the Dow, but the average recovery for American Stock Exchange and Over-The-Counter stocks is considerably better. These anomalies, however, can be resolved by further examination.

The table at right shows the date on which each of the stocks made its 1984 high. As can be seen, these highs were widely dispersed over a seven-month period. When the averages began to flatten in June, a good many stocks had already started down, and the market indices were held up by fewer and fewer stocks that were continuing their advance. Thus, the ultimate decline in the averages was rather small, despite the fact that, as the first table shows, the average individual stock, sometime during the 1983-1984 period, underwent a significant correction in excess of 40%.

Date	Stocks Making 1984 Highs			Total
	NYSE	ASE	OTC	
June 1983	355	70	174	599
July 1983	158	39	46	243
Aug. 1983	50	7	8	65
Sept. 1983	90	11	15	116
Oct. 1983	108	9	16	133
Nov. 1983	92	6	11	109
Dec. 1983	60	7	14	81
1984	237	18	42	297

The ultimate lows for the individual stocks were also dispersed over time, although not as widely. Although the actual low for all three averages took place in July, 1984, only 549 of the 1,643 stocks made their lows during that month. 929 issues had already made their lows prior to the averages bottoming in July, and 165 stocks actually made new lows following the end of July. The rolling nature of the entire readjustment, thus, helped produce a relatively small decline in the averages.

% Recovery	NYSE	ASE	OTC	Total
100% or more	259	34	50	343
50% - 100%	450	41	87	578
Less than 50%	441	92	189	722

The second apparent anomaly lies in the extent of the individual declines recovered. This is accounted for by the fact that a significant number of issues, mostly on the New York Stock Exchange, have recovered 100% or more of their losses and moved ahead to 1983-1984 peaks. This is shown in the table at left. However, that table also suggests the narrowing of leadership that has taken place on the late 1984 rally. With the averages

not all that far from new peaks, only 343 issues, to date, have, themselves, scored new highs. Even more negatively, 722 of 1,643 issues, including a majority of American Stock Exchange and Over-The-Counter stocks, have recovered less than 50% of their 1983-1984 losses, and their prospects for new highs during the remaining span of the bull market appear dim.

All of this seems to us normal for the mature stage of a bull market, which is where we think we currently find ourselves. As has been the case at comparable stages of past bull markets, a great many issues have probably already seen their bull-market peaks. Breadth of leadership has unquestionably narrowed from what it was a year ago but most likely is still wide enough to cause further, albeit selective, general market strength.

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Dow-Jones Industrials (12:00 p.m.)	1210.03
S & P Composite (12:00 p.m.)	166.83
Cumulative Index (9/27/84)	2055.17

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