TABELL'S MARKET LETTER

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The market continued its post-election slide to new lows this week, with Thursday's closing low of 1170.49 constituting the lowest level at which the Dow had closed since early August, exceeding the mid-October low by some five points. As we documented with a chart in this space three weeks ago, the conventional reading of the August-November trading range as a top has some fairly negative implications. Minimally, a move deep into the early 1984 support, to 1130, would be suggested, and a move to below that support, to 1030, would not be out of the question.

There is some basis, however, for questioning the conventional reading. The November-December drop has been the third short-term decline since the market reached its high in August. Each of these declines has started around the same level, approximately 1240, each has moved marginally lower than the low of the previous one, and each has been some three-four weeks in duration. The volume on each of the last two drops has diminished considerably from that of the previous rallying phase and has been significantly lower than the average (90.1 million shares daily) before the decline began.

This pattern, a series of short-term declines achieving marginal new lows, is not without precedent in recent market history. The relevant figures are shown in the table below followed by two sets of figures with eerie similarity. Each case showed three short-term declines starting from around the same level and achieving new lows. Each decline showed lower volume than had been seen on the previous rally. For the most part, the length of each decline was about the same as in the current case.

High		Low		% Decline High-Low	% Decline Low-Low	No. of Days	Average Daily Vol. Million Shares Decline	Prev. Rally
Aug 21, 1984	1239.73	Sep 11, 1984	1197.99	-3.4	-	14	78.5	-
Sep 14, 1984	1237.52	Oct 9, 1984	1175.13	-5.0	-1.9	17	88.1	108.7
Nov 6, 1984	1244.15	Dec 6, 1984	1170.49	-5.9	-0.4	21	82.3	98.1
Mar 16, 1984	1184.36	Apr 5, 1984	1130.55	-4.6	-	14	83.9	-
May 2, 1984	1186.56	Jun 15, 1984	1086.90	-8.4	3.8	31	84.5	87.0
July 3, 1984	1134.28	July 24, 1984	1086.57	-4.2	-0.1	14	72.2	87.2
Jan 29, 1982	871.10	Mar 8, 1982	795.47	-8.7	-	25	54.7	
May 7, 1982	869.20	Jun 18, 1982	788.62	-9.3	-0.9	29	49.0	53.7
Jun 20, 1982	833.43	Aug 12, 1982	776.92	-6.8	-1.5	17	51.6	55.3

As the dates make apparent, the two previous cases trace the market's history just prior to the rally of August, 1984 and to the start of the bull market in August, 1982. In both these prior instances a period of relative torpor with the market moving to new lows on light volume was followed by what was, at the time, an historically unprecedented upside explosion.

It should be most emphatically noted that no prediction of a similar upside explosion is being made in the present instance. Certainly a major difference between the past four months and the prior two periods shown is the fact that the current weakness is taking place after a fairly sharp rally while the last two cases have occurred following market declines. It is, however, an undeniable fact that, over the past few years, moves to new lows, especially on light volume, have not seemed to produce the followthrough they once had. Moreover, despite the fact that there exist individual issues, including some major ones, with top patterns similar to those of the averages, a significant number of other issues appear to possess limited vulnerability, either showing no top formation at all or finding themselves already severely depressed after previous sharp declines. There appears, therefore, some justification for feeling that the downside objectives suggested by a conventional reading of the pattern in the averages may not materialize or that, at least, a goodly number of stocks will be able to demonstrate resistance to any weakness which may occur in the major market indices.

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AWT:rs

Dow-Jones Industrials (12:00 p.m.) 1172.70
S & P Composite (12:00 p.m. 163.17
Cumulative Index (12/6/84) 2033.54