TABELL'S MARKET LETTER

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December 14, 1984

The year-end rally, a phenomenon we have discussed with some frequency in this space, has certainly not materialized to date, the slide from Election Day having continued through this week. That rally, as we have pointed out, has often been so short as to almost escape notice, but it is nonetheless real, as evidenced by the market's pronounced seasonal upward bias for the month of December, as shown at the table at right.

The table covers the 88 years since the Dow was first computed in 1897 and, for each month, shows the number of months the market was up and down, the percentage of months up, and the average percent change for each month. An upward tendency in December is clearly noticable. Although on average the market moved ahead in only 56% of the 1050 months under study, 71% of all Decembers were upward months. The average performance for the month, plus 1.28%, while not as good as that for July and August, is still well ahead of the normally-expected half-percent gain.

Month	Months Up	Months Down	% Months Up	% Months Change
Jan.	54	33	62.07	0.8755
Feb.	41	47	46.59	-0.4982
Mar.	52	36	59.09	0.6896
April	49	39	55.68	0.9173
May	42	46	47.73	-0.4933
June	44	44	50.00	0.5751
July	54	34	61.36	1.4620
Aug.	59	28	67.82	1.7879
Sept.	36	51	41.38	-1.2645
Oct.	47	40	54.02	0.0250
Nov.	52	35	59.77	0.7185
Dec.	62	25	71.26	1.2852
Total	592	458	56.38	0.5063

There thus exists some justification for suspecting the Dow might wind up the year above the level of 1188.94, where it closed on November 30. An interesting question, given the fact that this eventuality has a fairly high seasonal probability of taking place, is whether or not its occurrence, or lack thereof, would shed any light on what the market might do in 1985.

The predictive value of the year-end rally, as we have pointed out, is based on its continuance into the new year. As the table below shows, the forecasting record for the month of December itself is not terribly exciting.

All Years (87 Years)	Dec-Jan	Dec-Mar	Dec-Jun	Full Year
Avg % chg	+0.88%	+1.12%	+2.12%	+6.61%
Years Up	54	49	51	53
% of Years Up	62.1%	56.3%	58.6%	60.9%
Prev. Dec Up (62 Years)				
Avg % chg	+0.56%	+1.08%	+3.36%	+7.93%
Years Up	38	35	50	38
% of Years Up	61.3%	56.5%	64.5%	61.2%
Prev. Dec Down (25 Years)				
Avg. % chg	+1.65%	+1.22%	-0.95%	+3.31%
Years Up	16	14	11	15
% of Years Up	64.0%	56.0%	44.0%	60.0%

The table covers the market performace for the initial one, three, six, and twelve months of each year since 1898. The first set of figures is for all years, and the last two sets cover years following an upward December and years following a downward December. By and large, the years after the previous December was a downward month show little difference from upward ones or from the average for all years. Interestingly enough, only slight statistical bias appears to be for the longer periods, six months and twelve months. The month of December being down has, with some reliability, suggested weakness over the first six months of the following year and has generally foreshadowed a smaller-than-average advance for the entire year.

We have shown in previous studies that the only stock-market month which seems to have real predictive value is November, where, for some reason, the record at forecasting the following year's action is fairly good. November, 1984, of course, was a down month, thus producing somewhat negative implications for 1985. It will be necessary to weigh these implications against the extent and durability of the year-end rally in producing a 1985 forecast.

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AWT:rs

Dow-Jones Industrials (12:00 p.m.)	1176.13
S & P Composite (12:00 p.m.)	162.00
Cumulative Index (12/13/84)	2030.29

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