TABELL'S MARKET LETTER

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Self-cannibalism is an exercise occasionally practiced by most market-letter writers and we intend to indulge in it ourselves this week. This letter will be a review of two recently-published issues of this letter. Readers may consider themselves warned in case they wish to crumple the piece at this stage and aim it at the nearest waste basket.

Those still with us will recall we produced last week a rather lengthy disquisition on the tendency of the stock market to decline during the month of September. It is, as we pointed out, certainly not a uniform tendency but a September decline has, indeed, occurred in 36 of the past 59 years. We noted last week that there is no way of saying with certainty that this 59-year record is not a random phenomenon. Statistical testing (which we applied in this case) told us only the probability of such a record's occurring purely by chance. That probability is approximately one in one hundred. This suggests, in other words, the strong likelihood of a correlation between a given month's being the ninth on the Gregorian calendar and that month's seeing a declining stock market.

This constitutes correlation, and it can be used as an illustration of a basic statistical principal --- one that is not irrelevant to the practice of technical market analysis. That prinicpal is that correlation does not imply causation. It was brought to our attention many years ago by the gentleman who first taught us elementary statistics and who, an academic himself, was fond of citing an observed high degree of correlation between college professors' salaries and U.S. beer consumption. He could, actually, have picked a somewhat better example. It is, admittedly, highly unlikely that the simple raising of professorial stipends could, in itself, directly influence the consumption of malt beverages. Nonetheless, it is certainly reasonable to suspect that the two series are mutually correlated with some other economic time series, gross national product, perhaps, or, more likely disposable personal income. Thus, the example is not really as implausible as it seems on the surface. Nor is the apparently evident correlation between the month of September and declining stock markets.

Now it is quite true that a causal relationship between the calendar and the stock market is difficult to believe. Nonetheless, it is at least conceivable that there exists some other phenomena likely to occur during the month of September which encourages sellers of stock, although, to be honest, we have nothing but guesses as to what it might be. Portfolio "window dressing" occurs in September but also takes place in the other three quarters. The September quarter, due to vacations, tends to be a seasonally low one for corporate profits, but this known fact, one would think, should already be built into market expectations. Even so, it is credible that there exists, somewhere out there among the forces that relate behavior to the seasons, something which could make September a more likely month for a stock-market decline than other months of the year. It is thus, probably, a wise decision, to take the September seasonal record into account, to some degree, in planning portfolio strategy.

What we are saying, of course, is that a key element *in such a decision must be plausibility* --- which brings us to the subject of another recent market letter, the one we wrote three weeks ago on the tendency of the success of the New York Mets to produce stock-market weakness.

We cannot resist in this instance commenting on a certain irony. This letter has been published for almost 40 years, and the bulk of its content has constituted an attempt at serious stock-market analysis. It is probable, however, that no letter in our 40 years of publication has produced as much comment as this one which was done, frankly, in fun. One newspaper, indeed, chose to carry a synopsis, not only on the front page, but in an eight-column banner across the top of the front page, a treatment *which the staid New York Times last used for the first moon landing.*

We are certainly not unhappy about the wide notice taken of our feeble attempts at drollery, although we suppose a moral exists here also. The letter was essentially an attempt to use whatever skills we have developed in 30 years of writing, to make a correlation between two widely disparate phenomena sound plausible. There do, unfortunately, exist occasional attempts, done seriously rather than humorously, to use the same sorts of skills to assert correlations between other phenomena. What these attempts uniformly lack, of course, are serious and unbiased tests of real significance.

No such tests were applied, of course, in the Mets letter but, even had we taken the trouble to *invent a complex formula to force a correlation --- something* not impossible with sophisticated number-crunching --- it would have been meaningless. We are back again to the test of plausibility, a test we have previously applied and found wanting in the case of the unusual purely-statistical record possessed by the infamous Super-Bowl Indicator.

What we are saying, of course, is that based on such tests, there exists valid reason for paying attention to the month of September as a market factor and very little non-recreational reason for poring over New-York-Mets box scores. That distinction is quite clear in this case --- less clear, perhaps, than it is in published discussions of other market indicators.

ANTHONY W. TABELL
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AWT:rs

Dow-Jones Industrials (12:00 p.m.)	1331.09
S & P Composite (12 00 p.m.)	187.76
Cumulative Index (9/5/85)	2583.18