

# TABELL'S MARKET LETTER

*Delafield, Harvey, Tabell Inc.*

600 ALEXANDER ROAD, PRINCETON, NEW JERSEY 08540

MEMBER NEW YORK STOCK EXCHANGE, INC  
MEMBER NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC  
(609) 987-2300

June 27, 1986

The season has arrived for discussion of the Summer rally and republication of the table below, which we duly recompute each year as new figures become available.

End-Month	One Month Periods (1926-1985)			Two Month Periods (1926-1985)		
	Advances	Declines	Average % Change	Advances	Declines	Average % Change
January	38	22	1.05	39	21	2.29
February	30	30	-0.22	34	26	0.84
March	33	27	-0.04	28	32	-0.34
April	34	26	1.21	37	23	1.24
May	29	31	-0.85	34	26	0.56
June	31	29	0.91	27	33	0.03
July	37	23	1.70	37	23	2.57
August	38	22	1.53	40	20	3.38
September	23	37	-1.30	35	25	0.20
October	32	28	-0.30	28	32	-1.56
November	37	23	0.83	36	24	0.57
December	44	16	1.24	43	17	2.10
TOTAL	406	314	0.48	418	302	0.99

The 60 years since 1926 have comprised a total of 720 months. Of those months, 406, or 56%, produced advances. The normal expectation for any single month for the 60-year period, therefore, would be that approximately 34 months would show a rise and some 26 months, a decline. As can be seen, the record for both July and August, the latter month especially, is somewhat better than this. It is on the basis of these numbers that many analysts have remarked the tendency toward a rally in the Summer months.

As we have pointed out in the past, however, July and August do not constitute the most statistically significant periods in the table. The most unusual record shown is that of September which occurred as a rising month in only 23 of the 60 years, a phenomenon widely at variance with the overall history. Likewise, the year-end rally, as shown by the fact that a rising December has occurred in 44 of 60 months, is a considerably more likely occurrence than an advance in July or August.

Nonetheless, although the significance may be marginal, the July-August period does demonstrate an advancing propensity. This propensity becomes even more significant when one looks at two-month periods. The two months together have produced a rise in 40 of 60 years, and the average change for that two-month period is 3.38%, a number almost 3 1/2 times as great as the average for the 720 periods under study.

Interestingly, however, summer behavior since the current bull market began has been somewhat at variance with past history, three of the four Julys since 1982 having been down months. The reason for this is that each of the past four summers can be identified with fairly important market turning points. This is somewhat unusual, based on pre-1982 behavior, which generally saw important turns occurring in the Spring or Fall. The past four years, however, started with one of history's most important bottoms in August, 1982. The initial phase of the ensuing rally was topping during the Summer of 1983, and the 1983-1984 intermediate-term correction bottomed in mid-summer (July 24th) of the following year. Last summer saw a flat consolidation phase preceding the latest upward swing, which, it will be recalled, began at the end of September.

It will thus be interesting to see whether summer, 1986 produces the traditional rally or a continuation of the recent tendency for stocks to exhibit some sort of reversal behavior.

AWT:vfl

ANTHONY W. TABELL  
DELAFIELD, HARVEY, TABELL, INC.

Dow-Jones Industrials (12:00 noon) 1885.12  
S. & P. 500 (12:00 noon) 249.18  
Cumulative Index (6/26/86) 3176.79