TABELL'S MARKET LETTER

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We started last week's letter by comparing market action to "a punch-drunk fighter who has just taken an 8-count and managed to get to his feet and finish the round." This week the market took what should have been a knockdown blow, but managed once more to get up and even got in a couple of good licks on its own.

We are, of course, with this somewhat strained metaphor, referring to last Monday morning's 30-point decline, which penetrated both the May and July lows on the Dow, followed by the strong 28-point rally on Tuesday and Wednesday. We will return to this subject anon, but let us first bid farewell to the rather interesting stock market month of September, 1986 with a few comments thereon.

It was, first of all, a month which followed its seasonal tendency. The Dow was down 130.76 points for the month, thus making last month the 53rd down September in the 90-year history of the modern DJIA. It was also the 11th September drop in the past 13 years. As we noted earlier this month, a downward September has now passed a rising December as the market's most reliable seasonal tendency.

The feature of the month, of course, was the 120-point, 2-day decline of September 11th and 12th, largely under the stimulus of program trading. The standard deviation of the month's daily changes, in our view the most reliable measure of market volatility, wound up being the 15th highest figure in 537 months since 1942, at a level which, with a single exception, has tended to occur around major market bottoms. (The one false signal for this indicator was given in late 1973 and early 1974, well before the low of that particular bear market.) We are, however, inclined to distrust the bullish implications of this signal at this time, precisely due to the implications of program trading as a new factor.

Finally, September's decline traversed, from an intra-day high of 1933.55 on September 5th to a low of 1732.99 on the 29th, just about the entire trading range which, our readers know, we consider to be the crucial pattern for 1986.

Since the September low may well turn out to be the fourth important bottom made in that trading range, it is worth taking a hard look at. All four of these lows were what technicians are wont to call "spikes"---sharp downward moves followed by equally sharp upside reversals. These formations are easy to see on a chart but can be quantified only in terms of intra-day figures such as the hourly Dow figures which are part of our computer data bank. The table below is based on hourly Dow changes. (The 9:30-11:00 and 3:00-4:30 periods are considered as a single hour.)

Start	1799.01	1808.28	1810.18	1809.48
Date/Time	Apr. 3 - 1:00 p.m.	May 14 - Close	July 25 - 1:00 p.m.	Sept. 24 - 11:00 a.m.
Low	1722.70	1752.11	1752.66	1738.75
Date/Time	Apr. 7 - 2:00 p.m.	May 19 - 2:00 p.m.	July 30 - Noon	Sept. 29 - 2:00 p.m.
Hours	13	16	17	21
Hours Down	11	11	12	13
High	1789.87	1789.19	1782.48	1792.32
Date/Time	Apr. 9 - Noon	May 21 - 11:00 a.m.	July 31 - Noon	Oct. 1 - 11:00 a.m.
Hours	10	9	6	9
Hours Up	9	8	6	7

The similarity of the four declines is interesting. They all began around the 1800 level and dropped to the low 1700's over periods ranging from 13 to 21 trading hours. In all cases, the vast bulk of these hours were on the downside. Uniformly, each recovery returned immediately to the 1780-1790 level over an even shorter period, 6 to 10 trading hours, an even greater majority of those hours being upside ones.

Such "spikes" cause difficulty for traditional technical analysis, since they make downside breakout points difficult to identify. It was this vagueness about the bottom of the 1986 trading range which made it appropriate not to run for the hills following Monday's action, which constituted, for the Industrials at least, a decisive break of two extremely important lows. It is now necessary to demand additional evidence on such breaks, probably even deeper penetration, followed by failure of a subsequent rally. This may, indeed, occur in the current instance, but more time will undoubtedly be required.

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Dow Jones Industrials	1771.79
S & P 500	234.89
Cumulative Index (October 2, 1986)	3060.38