

TABELL'S MARKET LETTER

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~~It is the technician's job to interest himself in arcane statistics, so we should not be~~ accused of being off our rocker for having it occur to us, this week, that a great many recent trading days had seen more than 500 NYSE issues wind up unchanged on the day. This was brought to our notice, quite honestly, by the accident of 500 being a round number, but it did lead to some interesting exploration.

Examination shows that 500-plus unchanged issues has, indeed, been a frequent occurrence lately, the figure having been attained on 36 of the 84 trading days since April 21. Prior to that (with two holiday-related exceptions) there had been no such day since 1985, when 20 cases were clustered over a three-month period between August and October. Through yesterday there have been, in market history, 500 or more unchanged issues on a total of 90 trading days, the first in 1982. There appeared, moreover, to be a tendency for them to occur in clusters such as the present one. We decided, therefore, to look at the phenomenon over a longer period. For the figures to be comparable, it was, of course, necessary to express the number of unchanged issues as a percentage of all issues traded, and based on current trading patterns, where around 1950 - 2000 issues usually change hands, 500 translates to about 25.5%.

We then looked at the 16,888 trading days since 1926, and discovered that 2667 (or 15.8%) had seen unchanged issues amount to more than 25.5% of the total. The tendency of the phenomenon to occur in groups was striking. We defined a cluster of such trading days as a continuous series during which there occurred no two instances more than 25 days apart. We found no fewer than 6 clusters of 100 days or longer with 2071 or 78% of the number of days occurring within such clusters. 1063 days occurred during a six-year period between 1939 and 1945, and there was a 342-day string in 1951-1954.

A check of other sources disclosed that we were not the first to inspect this particular phenomenon. It is discussed in a highly-recommended recent book, The Encyclopedia of Technical Market Indicators (Dow

Jones-Irwin) by Robert W. Colby and Thomas A. Meyers. Their analysis of the data is shown in the table at right. It tends, interestingly enough, to suggest that large numbers of unchanged issues are bullish for the longer term, and, conversely, that small numbers of unchanged are bearish. This significance holds true only for longer periods as the table shows. For one-month and three-month periods, the significance of the indicator is shown as neutral, which essentially means there is no discernible statistical significance. As we get out to six-month and twelve-month periods, however, extreme values appear to become valuable indications. Colby and Meyers' terms, "very bullish" and "very bearish" suggest a less-than-one-in-1000 probability that subsequent stock-market action occurred purely by random chance. Our own analysis of a slightly different time period suggests that 22.5% or more of total issues traded being unchanged produces a 68.67% probability of the S & P 500 being-up a year later-versus an overall probability of 62.52%. The average percentage change in these cases is 10.56% versus an overall average of 6.32%.

While today's dull trading, therefore, tells us little about the immediate outlook, it appears to be a fairly bullish indication for the long term.

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Dow Jones Industrials (12:00) 2033.25
S & P 500 (12:00) 262.05
Cumulative Index (8/18/88) 3789.99

UNCHANGED ISSUES INDEX - DAILY DATA
PERIOD ANALYZED: JANUARY 1926 TO MARCH 1987

INDICATOR RANGE		INTERPRETATION GIVEN INVESTOR'S TIME FRAME			
GREATER THAN	LESS THAN OR EQUAL TO	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS
	0.000				
0.139	0.154	NEUTRAL	VERY BEARISH	VERY BEARISH	VERY BEARISH
0.154	0.164	NEUTRAL	NEUTRAL	BEARISH	VERY BEARISH
0.164	0.172	NEUTRAL	SLIGHTLY BEARISH	VERY BEARISH	VERY BEARISH
0.172	0.179	NEUTRAL	NEUTRAL	BEARISH	VERY BEARISH
0.179	0.186	NEUTRAL	NEUTRAL	VERY BEARISH	VERY BEARISH
0.186	0.191	NEUTRAL	NEUTRAL	NEUTRAL	BEARISH
0.191	0.197	NEUTRAL	NEUTRAL	SLIGHTLY BULLISH	NEUTRAL
0.197	0.202	NEUTRAL	NEUTRAL	NEUTRAL	VERY BEARISH
0.202	0.208	NEUTRAL	NEUTRAL	NEUTRAL	NEUTRAL
0.208	0.213	NEUTRAL	NEUTRAL	NEUTRAL	SLIGHTLY BULLISH
0.213	0.219	NEUTRAL	NEUTRAL	NEUTRAL	SLIGHTLY BULLISH
0.219	0.225	NEUTRAL	NEUTRAL	NEUTRAL	VERY BULLISH
0.225	0.232	NEUTRAL	NEUTRAL	BULLISH	VERY BULLISH
0.232	0.240	NEUTRAL	NEUTRAL	NEUTRAL	VERY BULLISH
0.240	0.248	NEUTRAL	SLIGHTLY BULLISH	BULLISH	VERY BULLISH
0.248	0.258	NEUTRAL	NEUTRAL	NEUTRAL	VERY BULLISH
0.258	0.271	SLIGHTLY BULLISH	NEUTRAL	SLIGHTLY BULLISH	VERY BULLISH
0.271	0.292	NEUTRAL	NEUTRAL	BULLISH	BULLISH
0.292	0.493	NEUTRAL	NEUTRAL	VERY BULLISH	BULLISH