

TABELL'S MARKET LETTER

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The appearance of the table below, which shows the number of times the market was up and the number of times down for each month since the first computation of the Dow in 1897, is somewhat out of season. It normally shows up in this space some time in late spring in a discussion of the summer-rally phenomenon, that rally occurring with noticeable regularity but, as we often point out, being less ubiquitous than is widely believed.

End Month	One Month Periods (1897-1990)			Two Month Periods (1897-1990)		
	Advances	Declines	Average % Chg.	Advances	Declines	Average % Chg.
January	59	34	1.08	60	33	2.48
February	45	48	-0.27	53	40	0.82
March	56	38	0.73	45	49	0.38
April	51	43	0.88	55	39	1.67
May	47	47	-0.24	50	44	0.75
June	49	45	0.66	48	46	0.39
July	58	36	1.48	58	36	2.14
August	62	31	1.65	62	31	3.39
September	36	56	-1.28	54	38	0.44
October	50	42	-0.12	40	52	-1.35
November	55	37	0.69	54	38	0.64
December	67	26	1.38	64	29	1.96
TOTAL	635	483	0.55	643	475	1.14

The summer rally this year, as everyone is aware, was conspicuous by its absence. July, which, as the table shows, has a fairly strong upward bias, barely managed to eke out an advance of less than 1%. August, which possesses the highest average percentage change of any month in the calendar over the past 94 years, saw a 10% decline in the Dow which made the month the second worst August in market history, exceeded only slightly by August, 1974.

Stock-market bulls should hope that the tendency to ignore seasonal patterns continues for at least another month. As we have noted in this space, the most persistent seasonal tendency for the market is not the summer rally or even the well-documented year-end rally. It is the tendency toward a September decline.

A breakdown of the monthly price changes for 1,118 months since 1897 reveals some interesting figures for statistics fanciers. Most are inclined to equate record-setting severe declines with either 1929 or 1987. Actually, the worst monthly decline in market history occurred in September (note the month), 1931, a 30.7% drop. The second and third worst figures were just over 23% in March, 1938 and April, 1932. October, 1987, also down around 23%, was the fourth worst, and October, 1929 was next.

Just as the early 1930's produced notable down months, they also produced record recoveries. History's best month was April, 1933, when, in celebration of the repeal of prohibition, the Dow advanced 40%. July and August, 1932 were the next best upside months, the market moving ahead by 26.6% and 34.8%, respectively. This produced an astonishing 70% gain over a two-month period, and it may well have been this upside explosion which first caused analysts to think in terms of a summer rally.

Let us, however, return to September. For 92 Septembers since 1897, the Dow has been up 36 times and down 56. The average percentage change for the month has been -1.28%, the worst record for any month by a considerable amount. As noted above, September, 1931 was the worst record-market month of the century, and the best September was a 13.5% rise in 1939. Since 1969 there have been only four cases when the market moved up in September.

As we said before, applying the standard tests of statistical significance reveals that a downward September is the market's strongest seasonal characteristic. Note that the table above reveals the market's long-term upward bias. 635 months since 1897 have produced a market rise, and only 483 have shown declines. One would thus expect individual months to show an advancing tendency, and all but February and September do. However, fewer than 40% of all Septembers have been up months. A chi-square test indicates that the probability of such an event occurring by chance is less than one in a thousand. Likewise, the probability of finding 92 random cases with a mean of -1.28%, the figure for September, also approaches the one-in-a-thousand category.

No seasonal tendency is without exceptions, and September has indeed produced an up market 36 times in 92 years. However, seasonal probabilities, especially when coupled with the market's recent action, do not produce a rosy picture.

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Dow Jones Industrials (12:00) 2622.52
S & P 500 (12:00) 323.47
Cumulative Index (09/06/90) 4682.65
AWT:ebh