

TABELL'S MARKET LETTER

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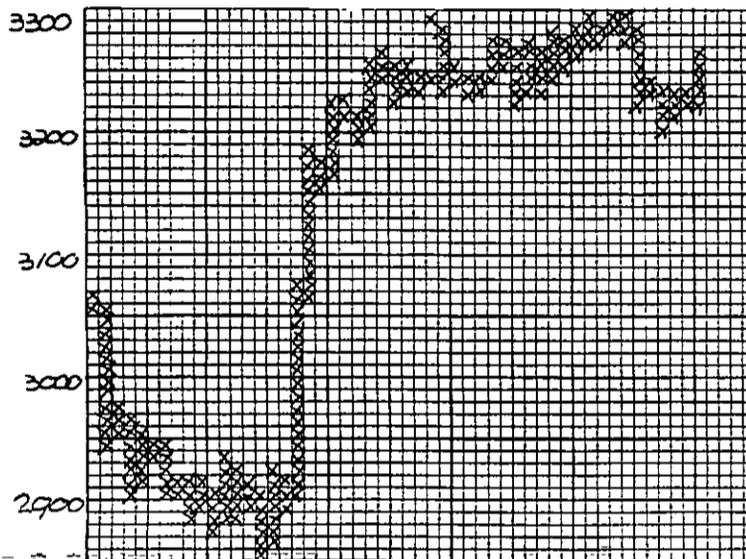
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"It was the best of times, it was the worst of times...it was the season of Light, it was the season of Darkness...it was the spring of hope, it was the winter of despair."

Charles Dickens, A Tale of Two Cities

Mr. Dickens' famous quotation could be used, in 1992, as the lead for "A Tale of Two Markets." The two markets are those of the U.S. and Japan, and, indeed, the contrast could not be greater.



DOW JONES INDUSTRIAL AVERAGE

10 POINT

True, it is certainly possible to interpret the ten-point, point-and-figure pattern for the Dow, shown at left, as representing a short-term top, with this week's early strength constituting a move into overhead supply. That's the bad news. The good news is that the downside objective in the low 3,000's represents strong support, and any move to that level would constitute a buying opportunity.

In any case, our U.S. market remains within a few percentage points of its all-time high. Across the Pacific, however, the story is entirely different. The Nikkei Index peaked on December 29, 1989 at 38,915, at which level it was up over 1000% from only 3,355 in 1974. Meltdown Monday of 1987 in New York produced only a minor blip in Tokyo which, at its peak, had exceeded its 1987 high by 46% while the Dow, by 1989, had barely equalled its 1987 peak.

From there, the divergence began. Tokyo failed to accompany Wall Street into new high territory in 1990, and when we, in October, 1990, were down barely 20%, the Nikkei was off 48% at 20,221. On Tuesday of this week, it broke below that low to 19,837.

Indeed the Japanese bear market is one of record-setting proportions. The 48% fall is not only the biggest drop in Japanese market history, but one of the largest on record for any market. Our biggest decline in recent years is the 45% drop of 1973-1974, and even September-November, 1929 was under 48%. Our friends across the Pacific are clearly playing in the big leagues when it comes to bear markets.

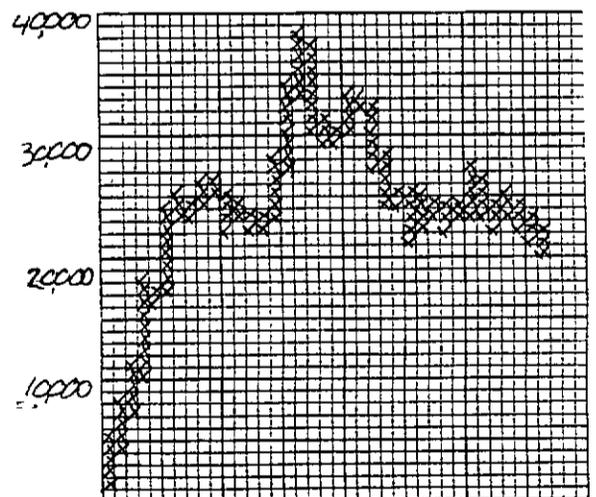
Nor, can the outlook, from a technical point of view be said to be all that encouraging. At right is shown a 1000-point P&F chart of the Nikkei, and that last posting at 20,000 looks, for the moment at least, to be a killer. We would certainly want to await evidence of technical strength before buying into that particular chart pattern.

Ironically, the current conventional wisdom holds that an all-powerful Japan can do just about anything it pleases, as far as its economy is concerned. It is stated that "they" will not allow the Tokyo market to go down much further, much as another "they" was going to stave off the ongoing market decline in the early 1930's.

Indeed, the history of that era might well be studied by the Japanese powers that be. What was essentially a stock-market phenomenon in the fall of 1929 turned into something a good deal more pervasive in 1930-32. We in the United States managed to avoid this outcome in 1987. It is devoutly to be wished that the Japanese will prove as successful in the early 1990's.

It has always been the contention of the technician that stock markets tend to lead, rather than follow, the economy. By the time Americans were beginning to become aware of Japanese competition, the Nikkei, which, when the Tokyo Stock Exchange opened in 1949, was selling at the same level as the Dow, was at ten times the DJIA's level.

Now that Japan-bashing has become the political fad of the day, it suddenly emerges that Japan's Stock Exchange has undergone one of the largest collapses in the history of financial markets—a phenomenon providing a quite different impression of that country's economy from the one we tend to derive from the daily press. At the very least, the devastation of the Nikkei may be suggesting that the long outperformance of the U.S. stock market by Japan's may be over.



NIKKEI INDEX

1000 POINT

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Dow Jones Industrials (12:00) 3268.11
Standard & Poor's 500 (12:00) 409.78
Cumulative Index (3/19/92) 7394.73

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