TABELL'S MARKET LETTER

Delafield, Harvey, Tabell Inc.

5 VAUGHN DRIVE, CN 5209, PRINCETON, NEW JERSEY 08543-5209

MEMBER NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC
(609) 987-2300

May 15, 1992

Long-time (especially very-long-time) readers of this piece will recall that a few special things take place in Presidential election years, which, of course, is the case for 1992. One such event is our annual effort to predict the winner of the election for which exercise we are able to claim a record of 100% accuracy which, we regularly assure readers, is a great deal better than our record at forecasting the stock market. That effort, however, will be reserved, as usual, for November. We have also attempted, in a number of letters in the past, to make the more practical assessment of what the stock market was saying about the election and what election years in general have tended to tell us about the prospects for the stock market.

Our first effort in this quadrennial exercise appeared a bit earlier this time around than is normally the case. Back on November 15th, we set forth our usual table detailing the stock-market history of each election year since 1900 and duly arrived at the conclusions that this study tends to produce. One of these conclusions was that there was a tendency for election years to have a flat or downward bias during their first half. Despite the recent surges to new highs for the Dow Jones Industrials, we think that "flat" is an adjective that can properly be used to describe the 1992 stock market thus far.

We conducted the November study by looking at the average price for each month in election years, expressed as a percentage of the previous year's close, using the Standard & Poors 500 as a benchmark. The 500 closed 1991 at 417.09, and its average price for the month of April was 407.40, or 97.68% of the 1991 close. This, as we shall see in a moment, may in fact have some significance.

Just as the market has been flat, the recent absence of competition on the political scene has made that area dull. It is all but certain that President Bush and Governor Clinton will be the major-party candidates in November. In a news-starved media, much has been made of the candidacy of H. Ross Perot. Those (like stock-market technicians) who are accustomed to look at the historical record will recall the names of Henry and George Wallace and John Anderson and remain somewhat underwhelmed.

Insofar as the relationship of the stock market to election year outcomes is concerned, action so far cannot be said to be encouraging to President Bush. There have been nine election years in this century when the average April price was lower or about the same as that of the previous year end. Those years were 1916, 1920, 1932, 1940, 1952, 1960, 1968, 1980, and 1984. In seven of the nine cases the decline was modest, as was the case this year, under five percent. It was seven percent in 1960, and in only one year, 1932, did a large drop take place. What is interesting about these nine years, however, is that six of them saw the replacement of the incumbent Presidential party. Thus, Wilson was replaced by Harding in 1920, Hoover by Roosevelt in 1932, Truman by Eisenhower in 1952, Eisenhower by Kennedy in 1960, Johnson by Nixon in 1968, and Carter by Reagan in 1980. The three exceptions were the reelections of Wilson in 1916, Roosevelt in 1940, and Reagan in 1984.

Taking the reverse view, of the eight occasions during the century when the party controlling the White House changed, six saw flat-to-lower stock markets in April. The two exceptions to this rule occurred when Taft was replaced by Wilson in 1912 and when Ford was replaced by Carter in 1976. That particular year constitutes an exceptional one in a number of ways since it produced the strongest rally in the first four months of any of the 23 election years under study.

We have, of course, long noted the fact that, regardless of the party winning the election, there exists a fairly strong tendency toward a strong second half. As we pointed out in November, in nineteen of the 23 election years we surveyed, the average price for December was higher than the average price for June. Likewise the December average price was higher or the same as the April average in eighteen years out of the 23. In seven of the nine years in which the market was lower in April, it had recovered significantly by year end. In only two cases did the market continue down from its April low figure, in 1920 and 1940.

Even in the exceptional years when the market trended lower in the second half, the decline was not very severe. The only instance of notable second-half weakness in any of the 23 years under study took place in 1920 (the election of Harding) when the average December price was 20% lower than that for April.

We have been noting here of late the distinct signs of loss of technical momentum which have characterized 1992 so far. This loss of momentum has, of course, produced the fairly exceptional case of a market which has failed to advance in the initial four months of the year. The election year pattern for the market would seem to argue that the lost upside momentum might well be regained as we progress into 1992's second half. It will be interesting to see whether that pattern holds true or 1992 produces one of the rare exceptions.

ANTHONY W. TABELL, CMT
DELAFIELD, HARVEY, TABELL

Dow Jones Industrials (12:00)	3355.42
Standard & Poors 500 (12:00)	411.43
Cumulative Index (5/14/92)	7395.61