TABELL'S MARKET LETTER

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Numbers! The financial markets provided us with a whole bunch of them this week. Start with 100 (or 96.99, which is close enough). This was the amount by which the DJIA was ahead after Tuesday and Wednesday produced two rallies, each approximating fifty points. This particular approximation, actually, was no accident. On both days, the Dow was ahead by more than 50 during the day, thus provoking the invocation of the "downtick rule", designed to inhibit computerized trading. It more than likely says something about the current market that, in both instances, the index pulled back sharply, if temporarily, from the plus-50 level.

Or how about 1300? Until this week, no trading day in 1992 had been able to produce more than 1300 advancing stocks, the last instance being in December, 1991. On Tuesday and Wednesday, there occurred two such days in a row. For what it is worth (probably not much), two consecutive days of 1300-plus advances constitute a fairly rare market event, this week having seen only the seventh such case in all market history and the first one in almost five years---the last one having taken place shortly after the bottom in October, 1987.

However, we are probably being unprofessional in leading off this piece with talk about the Dow Jones Industrials and market breadth. We should undoubtedly have begun by noting the fact that the Standard & Poors 500 achieved, on Wednesday, a new all-time high, closing, after an almost-five-point advance, at 422.23 and bettering its previous high, achieved back on January 15th, of 420.77. A further high occurred yesterday. This news may come as something of a disappointment to practitioners of the craft of stock-market comment, since a guaranteed space-filler for the past six months has been discussion of the underperformance of the Dow by the Standard & Poors. Our readers are well aware that we ourselves have more than once yielded to the temptation to produce scholarly disquisitions on the subject.

However, all is not yet lost. The emergence of the S & P constitutes a relatively new phenomenon---one which can be said to have surfaced as recently as June 18th. On that date, the Dow reached a low at 3274.12, down 4.08% from its June 1st all-time high in the biggest correction of 1992 thus far. The 500, at 400.96, was down 4.19% from its prior high. Since that June 18th bottom, the S & P has advanced 5.73% to yesterday's peak versus an advance of only 3.60% for the Dow.

It remains to be seen whether this will alter the longer term pattern. Measured from late 1991, when the current phase of the market advance began, the S & P is ahead 12.98% from its November 29th low. The Dow, by contrast, was, at its own bull-market peak in June, up 19.18%, and at last night's close remained ahead by 18.11%. The basic difference in market achievement between the two averages occurred between mid-January and mid-June. The S & P, on January 15th, reached a peak it was not able to better until this week. On that day the Dow was at 3258.50. It was to go on almost without interruption to a whole series of new highs eventually winding up 155 points higher in June while the S & P drifted. As we said above, the reversal of that pattern is a product of only the past six weeks.

Yet another number---15,095.95. That, as, by this time, readers might be able to guess, was Wednesday's close on Japan's Nikkei Index, yet another six-year low. It has long been the function of this letter to write about numbers, and we have tried, in exercising this function, to remember to keep them in perspective. This being the case, we found ourselves a bit put off by the story in the latest issue of Time magazine on the subject of the Tokyo market. It featured a chart of the monthly close (couldn't the world's largest newsmagazine find the daily figures?) of the Nikkei starting (why?) in January of this year and trumpeted the fact that the index was down 30% since then. This was true, but irrelevant. The Nikkei had been in almost steady decline for ten months previous to January, 1992, having made its most recent important high in March, 1991 at 27,146. It is now down---not 30%---but 44.39%.

Even this, though, misses what should be the point of any story about the Nikkei, which is that, at its high in December, 1989, it was at 38,915. From that point, in a severe, but conventional, bear market, it fell 48% to 20,221 nine months later. Following a sharp but short (5 1/2 month) recovery, which never came near the old high, the plunge resumed anew, and by March of this year dropped to a new low. As we all know, that decline has continued through this week. The Nikkei is thus down from its high 61.21%, which, it seems obvious, is the journalistically interesting fact, since there have been few declines of this magnitude in any equity market in all recorded history.

Why, readers may ask, do we keep harping on the subject of the Nikkei? Is it not sufficient simply to warn those of our readers who may be so inclined against investment in the Japanese market and let it go at that? It may well be. The fact that the S & P high and the Nikkei low occurred on the same day this week should argue against any direct short-term correlation between the U.S and Japanese markets. However, we think the historically unusual nature of what is going on across the Pacific cannot fail, in some way and at some stage, to have some implications for our own market and economy. The Japanese freefall some time ago passed beyond the conventional limits of a cycle bear market and is more and more coming to resemble a market in the latter stages of a very-long-term boom-bust cycle. Sooner or later, we will have to assess the meaning of all this for U.S. stocks.

All of the numbers which have been the theme of this issue deal, of course, with historical fact. What implications do they hold for the future? We suggested last week that the market was beginning to show early signs of technical improvement, and this week's powerful follow-through confirms that impression. The trouble is that it is difficult to read significantly higher price targets. Certainly, the S & P having achieved a new high, is becomes likely that the Dow will do so. It has possible objectives in the upper 3400's, and similar projections can be made for the broader-based indicators. Beyond such levels it is difficult to project at present.

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Dow Jones Industrials (12:00) 3390.00
Standard & Poors 500 (12:00) 422.82
Cumulative Index (7/30/92) 7612.87