TABELL'S MARKET LETTER

Delafield, Harvey, Tabell

909 STATE ROAD, PRINCETON, NEW JERSEY 08540

DIVISION OF

Janney Montgomery Scott Inc.

MEMBER NEW YORK STOCK EXCHANGE, INC
MEMBER AMERICAN STOCK EXCHANGE

March 30, 1979

The simple diagram in the inset below has been used by us in the past as an illustration of the kind of thought process that ought to go into investing. It can, actually, be generalized to a great many situations beyond the stock market since it is designed to illustrate the problems involved in any situation where one is forced, as is the case in the investment process, to make decisions in the face of uncertainty.

As the vertical columns of the table illustrate, there are two possible states of the stock-market world, i.e., the true direction of the market at a given time may be either up or down. While one may have an opinion, founded or unfounded, about this direction, that opinion nonetheless will fall short of absolute certainty. Likewise, in this admittedly over-simplified case, there are two possible postures as regards equities -- one may be either long or not long. The four possible combinations of world-states and decisions result in two ways to be "right" and two ways to be "wrong." The two "wrong" boxes are analagous to two sorts of investment risk.

DECISION	MARKET DIRECTION: UP	MARKET DIRECTION: DOWN
LONG	right	wrong
NOT LONG	wrong	right

It is always possible, in the simplified environment illustrated, to shield oneself entirely from one of the two risks. For example, it is possible to protect oneself completely against the possibility of stocks going down simply by not owning them. By definition, however, such procedure necessitates full exposure to the opposite risk -- that of missed opportunity in a stock market that rises. In the real world, of course, it is possible to trade off one risk against the other in an almost-infinite series of gradations -- but always with the proviso that it is never possible to eliminate one without total exposure to the other.

We raise this issue once more at this time because we detect, we think, today, what amounts almost to an obsession with one of the two risk areas, the risk that the stock market may decline, indeed, decline substantially. For the past year, works of both fiction and nonfiction dealing with impending economic disaster have been featured on the standard best-seller lists. The latest mini-growth industry appears to be so-called gloom-and-doom-seminars, sessions at which presumably rational investors pay substantial sums of money to hear an intermidable series of speakers assure them that the world is coming to an end. Out in the fever-swamps, fortresses are being constructed for protection against the depredations of a crazed and starving populace. Even in the relatively staid world of institutional investing, record levels of cash abound. What may be called disaster-chic seems to have become the order of the day.

What the table suggests, of course, is that there is another sort of stock market risk, the risk of not taking advantage of a stock market which advances substantially. There is a popular aphorism reminding us that we only go around once, and there are, in each investor's lifetime, a limited number of bull markets. Failure to take advantage of these limited opportunities is, in the long run, as detremental to successful investment as failure to recognize the risk of loss. It is this recognition that we see being regularly ignored at present.

We will enter at this point the necessary disclaimer that none of the above is to be taken to forecast the imminence of a major bull market -- or at least the immediate imminence of one. We are, we hope, just as aware of the problems, technical and fundamental, confronting both the economy and the stock market as are the few thousand or so pundits who enumerate them regularly in reams of print. We do not in view of these factors, we confess, see the likelihood of the stock market's moving immediately to substantially higher levels. Nonetheless, the technical situation, as we see it, is not one subject to massive deterioration and, indeed, over time, seems susceptible to improvement, perhaps, indeed, to dramatic improvement. It is perhaps just the sort of market one would expect in an era where disaster-chic has become fashionable.

Dow-Jones Industrials (12:00 p.m.)	863.91	ANTHONY W. TABELL
S & P Composite (12:00 p.m.)	191.75	DELAFIELD, HARVEY, TABELL
Cumulative Index (3/29/79)	745.30	

AWT:rak