TABELL'S MARKET LETTER

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MEMBER NEW YORK STOCK EXCHANGE, INC
MEMBER AMERICAN STOCK EXCHANGE

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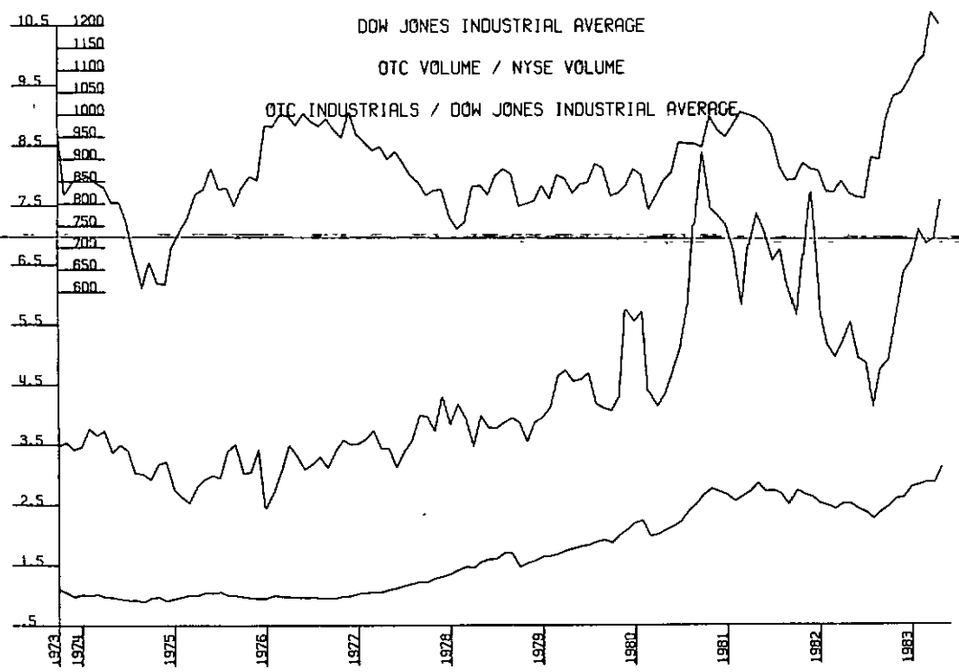
The Dow-Jones Industrial Average, which lost a total of 29.03 points during three straight minus trading sessions surrounding the recent Memorial Day weekend, began to firm in the middle of this week, registering two positive days of market action.

As anyone reading the Wall Street Journal can note by simply inspecting the various bar charts of the Dow-Jones Averages and NYSE volume, since penetrating the 1200 level on the DJIA, the stock market has spent most of the last six weeks moving sideways, just under its recent high of 1232.59 posted on May 6th on relatively high volume.

Within this framework some rather interesting upside action continues to take place among the individual components of the OTC markets. The sustained performance of this sector is hard to ignore as the percentage increase of the OTC Industrial Average speaks for itself. The NASDAQ industrials has moved from its August low of 177.70 to a recent high of 379.32 on May 27th. This reflects a 113.46% advance as opposed to a 58.65% advance in the Dow for the same period. This obviously has not gone unnoticed to the investor as NASDAQ volume in recent years has, in turn, increased substantially. In fact, over the past few years NASDAQ OTC volume has, for the first time, surpassed NYSE volume on a number of occasions, the most recent occurence was on May 27th when OTC volume reached 79.75 million shares versus 76.29 million on the NYSE. It is not difficult to suggest in the near future OTC volume could surpass NYSE volume on a regular basis, perhaps significantly.



The chart above presents a comparison of the ten-year history of the Dow-Jones Industrial Average to the NASDAQ Industrials. The first ratio, the monthly average of NYSE volume compared to the monthly average of OTC volume is therefore interesting. In the 1960's market technicians used a ratio of ASE volume to NYSE volume as a useful tool to measure excessive speculation. A peak in the ratio signalled an end to speculative excesses and in many cases, a peak in the ratio gave a lead-time to a correction in the market. However, over the years the ASE volume failed to proprotionally keep pace with the secular increase of NYSE volume and the indicator is now ignored. It now, however, becomes apparent that by substituting as a proxy OTC volume for ASE volume the ratio is again valid as an indicator in measuring excessive speculation.

The October, 1980 OTC average monthly volume of 83.75% of average monthly NYSE volume is the highest level the ratio has reached. Currently, the OTC figure as of May, 1983 stands at 75.60% of NYSE volume, and it can be presumed that within the current environment a further increase in this ratio would be logical.

The second ratio (OTC/DJIA) during the 1981-82 bear market and through the recent advance from the August, 1982 low has behaved normally, i.e., the OTC industrials declining relatively more sharply in down markets and rising relatively more sharply in up markets than the DJIA, reflecting the higher volatility in the OTC sector versus the DJIA.

What this suggests to us, within the framework of our continued constructive outlook on the general market, is excellent investment results can still be obtained in the Over-The-Counter sector for those investors willing to assume the risk.

RJS:rs

ROBERT J. SIMPKINS, JR.
DELAFIELD, HARVEY, TABELL

Dow-Jones Industrials (12:00 p.m.) 1212.33
S & P Composite (12:00 p.m.) 164.30
Cumulative Index 62785 1943.90