

TABELL'S MARKET LETTER

Delafield, Harvey, Tabell Inc.

909 STATE ROAD, PRINCETON, NEW JERSEY 08540

MEMBER NEW YORK STOCK EXCHANGE, INC
MEMBER NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC
(609) 924-9660

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In contrast to the change of the seasons, changes in the stock-market climate are often abrupt. It is necessary only to recall mid-August, 1982, when, in the space of a few short days, the stock-market weather was transformed from a tepid drizzle to the brightest of sunshine.

Such has not been the case recently, however. The stock-market climate has, indeed, of late, been improving somewhat, but the improvement has been a good deal more like the weather. Indeed, it resembles, in many ways, the arrival of spring this year in the northeast, with the occasional sunny day being followed, almost regularly, by a return to cold and damp.

Let us try to recapitulate what has happened so far. The bullish news has been provided over the past couple of weeks of trading by the action of the broad-based indices, the S & P 500 and Industrials and the NYSE Composite and Industrials. All four of these indices have now broken decisively out of the trading ranges in which they had been contained since their lows of February. The following table shows their Thursday close, what appear to be the most plausible upside objectives, and, for reference, their previous all-time highs.

	5/3/84	Objective	Old High
S & P 500	161.20	170-177	172.65
S & P Industrials	182.76	198-203	194.84
NYSE Composite	92.83	99-100	99.63
NYSE Industrials	109.24	115-117	116.42

A cursory glance at the above figures reveals a certain uniformity. The objectives for all four indices are just about at, or ever so slightly above, their old highs. They are, moreover, hardly far enough above current levels to imply that a new era of instant riches is in immediate prospect. Furthermore, what the table does not show is the existence, in all four cases of heavy overhead supply, starting not too far above present prices and continuing all the way to the objectives in question, suggesting that the attainment of even these limited targets is not going to be all that easy.

Meanwhile, a great many of the more widely followed averages are still waiting in the wings, confined within their February-May trading ranges. The table below lists four such indices with the same information as above, together with their breakout points, figures that have yet to be attained.

	5/3/84	Breakout	Objective	Old High
Dow-Jones Ind.	1181.53	1190	1290-1300	1287.20
Dow-Jones Trans.	514.40	530	575-590	612.63
Dow-Jones Util.	125.48	130	134-135	140.70
NYSE Financial	89.39	91	96	104.14

A few points regarding this second table may be noted. The Dow Industrials have a pattern roughly similar to the broader-based indicators, with objectives in the neighborhood of the old high. In a sense, their pattern is even more constructive since the heaviest overhead supply does not get in the way until the 1225-1250 level. It is interesting to note, though, that neither the Transport, Utility, or Financial indices have broadened bases sufficiently to suggest a return to the areas of their old highs. Therefore, should a decent rally materialize at this stage, a potential serious divergence could result.

We had not, as our readers have noted, expected that the improvement would occur this early on, and we would still not discount the possibility of a pullback into the original trading ranges, much as spring weather, in Princeton, New Jersey, at least, has failed to prevail for any length of time. Our original timetable had called for weakness extending into May-June. Nonetheless, as noted, positive action in some indicators, at least, has emerged as May begins.

The relatively better action of the broad-based indices is, moreover, an unexpected bullish factor. The ratio of the S & P to the Dow-Jones, for example, is, at the moment, extremely close to posting a new bull-market high. Ability to do this would be constructive, since, in most cases, such action takes place only under ongoing bull-market conditions.

The poor action of the non-industrial averages, however, is not terribly surprising. It is no secret that leadership, going all the way back to last summer, has been narrow and growing narrower. We have not attempted to ignore this fact. It is simply our view, as we have noted, that this action is typical of a mature bull market, and thus more or less to be expected.

Whether more harbingers of a stock-market spring will emerge is still a question. Indeed, if they do, to push the metaphor to the ultimate, they will probably be more indicative of an Indian Summer. We will be commenting in this space on such improvements as they emerge.

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL INC.

AWT:rs

Dow-Jones Industrials (12:00 p.m.)	1173.68
S & P Composite (12:00 p.m.)	161.07
Cumulative Index (4/3/84)	1969.74

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