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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For about the umpteenth time in the past few years, we find ourselves compelled to write a letter about a stock-market-trading-range. The current example of such a range was, as of Wednesday, 28 trading days old and thus had confined the market averages for six weeks dating back to March 15. On that day the Dow closed at 1247.02 and the S & P 500 at 176.53, in both cases the lowest figure attained between then and now. In terms of the Dow, the market recovered to 1271.09 on March 19, dipped again to 1259.72 on March 26, posted a slightly better peak at 1272.75 on April 1 and dropped to 1252.98 on April 18. Most recently, the Dow recovered to 1278.71 on Tuesday. In Thursday and early Friday trading, the major indices finally moved tentatively out of the six-week trading area, the Dow reaching 1284.78 at Thursday's close and the S & P, along with the NYSE Composite, actually attaining new all-time highs. Until the breakout, however, the range, low to high, had been 2.54% for the Dow and 3.48% for the 500. In a word, boring.

We should by now, however, be accustomed to this sort of boredom. The most recent sideways market, described above, was preceded by another similar period lasting 27 trading days between January 29 and March 7. In this particular instance the Dow was contained in a range bounded by its all-time high of 1299.36 on March 1 and the February 22 low of 1275.84, a range 1.84% in extent. This in turn followed a lateral range of much longer duration, covering 71 trading days betwen October 9, 1984 and January 18. For this three-month-plus period, the outer trading limits were 1163.21 and 1244.15, an only slightly broader 6.96% bracket.

The two periods of transition between these three ranges were relatively short. The Dow moved from its 1163-1244, October-January range to the January-March range of 1276-1299 in just six trading days. The downward swing from that range to the current one occupied all of five days. Thus the Dow spent 11 out of the last 137 trading days to Wednesday actually *doing something* and the rest of the time subjecting us to protracted dullness.

Whenever a trading impasse such as the current one exists it becomes incumbent on the technician to hazard a guess as to the direction, up or down, in which it will finally be resolved. A great many practitioners had been professing, with a good deal of certitude, to know precisely which direction the ultimate breakout would take, with the bulls and bears, interestingly, expressing equally strong degrees of conviction. Perhaps we are less clever, but we are aware of no method valid at all times and in all places, for determining the direction of a breakout before it actually takes place or, indeed, of being totally certain that it is real when it does occur. We are, nonetheless, willing to hazard a guess that the ultimate resolution of the current dilemma will be on the upside either, with a continuation of Thursday's action or with a pullback into the range followed by an eventual broad upside move. This guess is based on a number of aspects of internal market action.

The past six weeks, first of all, have seen more individual stocks demonstrating bullish behavior than bearish. Each week, we survey upside and downside breakouts for some 3000 issues. During this period exactly 100 stocks have posted upside breakouts, 43 of them major, while there have occurred only 67 downside breakouts, with but 13 of them representing major tops. This sort of action hardly suggests the sort of internal deterioration which might be expected to precede an important downside thrust.

Analysis of breadth shows that, between March 15 and April 24, there occurred, on average 740 individual stock declines per day. This is almost the same as the number that occurred in the October-January trading range, where the ultimate resolution was on the upside, and perceptibly, although not significantly, less than the 783 average daily declines which characterized the January-March short-term top.

In the October-January trading range, daily downside volume averaged 36.45 million shares and, in the current case 37 million shares. This contrasts with 47.59 million shares during January-March. The recent trading range, moreover, has shown a respectable 76 average daily new 52-week highs versus only 10 new lows. We frankly do not see in these numbers anything which should suggest significant underlying deterioration.

Assuming the reality of the current upside breakout, it becomes necessary to formulate an ultimate target. Such a target would undoubtedly mean new highs by a significant amount, but we find it difficult to project astronomical figures. The base formation between July and January has upside objectives in the 1350-1400 range, and we would certainly consider this a possibility. By contrast, if the breakout is reversed and the current range is unexpectedly penetrated on the downside, it is difficult to see prices all that much lower. Strong support at 1225-1200 should contain any downswing. Our readers are aware that we consider the present bull market to be in a mature phase, but we still think the investment odds favor a relatively-fully-invested equity position.

AWT:rs

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL INC.

Dow-Jones Industrials (12·00 p.m.)	1279.03
S & P Composite (12·00 p.m.)	183.26
Cumulative Index (4/25/85)	2411.51