TABELL'S MARKET LETTER

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June 13, 1986

A moderately interesting market week started out with one of those ho-hum "all-time record" declines, in which the 45.75 points shed by the Dow did indeed represent the largest such figure in its history. The press stories on these recurring non-events are, we must admit, improving. They do stress that the record being set is in terms of points, and even go on to state that, in percentage terms, there have been many larger declines (363 since 1926 to be exact).

About all that the Monday decline did, from an analytical standpoint, was to provide the third of a series of benchmark highs going back to the end of March. The theme of this letter for the past few weeks, it will be recalled, has been the changing character of the market. With some two and one-half months of experience now behind us, it becomes possible, it seems to us, to place a precise date on the beginning of that change. That date, we think, is March 27th.

On that particular day, prior to the Good Friday holiday, just about every average one could name posted a new bull-market high. A couple went on to post modest new peaks the following week, but all moved, during the post-Easter week, into a noticeable short-term retreat, which, uniformly bottomed on Monday, April 7th. It is from that point forward that the divergence between various indicators began to manifest itself.

In general, a rally began from the April 7th low, with various averages reaching their peak in the two-plus weeks between April 17th and April 29th. The ensuing declines saw some indicators bottom in mid-May and some in the early part of the month. Finally, the recent advance, in which the closing DJIA peaked last Friday, established, as we have noted, yet another benchmark. The table below shows the relevant figures for eight major averages and both our daily and weekly breadth indices. Intra-day figures have been used where available. The descrepancies are of some interest.

	MARCH HIGH		APR. LOW		APR. HIGH		MAY LOW		JUNE HIGH		6/12 CLOSE
DJIA (I/D)	3/27	1849.74	4/7	1712.52	4/17	1870.16	5/19	1769.84	5/30	1898.22	1838.13
S & P 500 (I/D)	3/27	240.11	4/7	226.30	4/22	245.47	5/16	232.26	5/30	249.19	241.49
DJIA (I/D)	3/31	842.98	4/7	765.46	4/22	830.35	5/16	765.58	5/28	819.80	779.38
DJUA (I/D)	4/1	195.27	4/7	182.55	4/21	193.42	5/21	179.71	5/30	190.96	185.06
NYSE FIN.(CL)	3/27	157.74	4/7	149.83	4/21	159.45	5/19	146.95	5/29	157.98	148.67
OTC IND. (CL)	3/31	375.90	4/7	369.50	4/25	399.90	5/1	388.20	6/6	407.90	404.00
ASE (I/D)	3/27	270.08	4/7	262.74	4/29	275.97	5/1	267.93	6/2	282.97	279.94
VAL LINE CMP.(CL)	3/27	242.28	4/7	233.24	4/21	246.20	5/19	237.39	5/30	246.79	241.75
DLY BREADTH	3/27	1144.40	4/7	1137.56	4/21	1148.54	5/19	1138.54	5/29	1145.90	1138.47
WKLY BREADTH	3/27	1215.25	4/4	1211.09	4/18	1220.33	5/16	1214.16	5/30	1219.05	-------

The Dow and the S & P, of course, are following a continuing pattern of higher highs and higher lows. In general the action of the Dow has been more dynamic. Indeed it continued on to post a new closing peak, although not an intra-day one, on Friday before the 45-point drop.

The Transport and Utility indicators show precisely the opposite pattern. Each of the three highs has been notably lower than the one preceding it, as have the two short-term lows. (On an intra-day basis, the April and May Transport lows were almost equal, but the May closing bottom was lower).

The Financial index shows an intermediate pattern, continuing to a new peak in April but then falling off to a new low and failing to equal its old high. Paradoxically, it is the Over-the-Counter Index, the ASE Index and the Value Line Composite which have shown the best action. All three indices show a consistent uptrend pattern, and found themselves, at recent peaks, considerably above their late-March highs. In general, they all bottomed in early May rather than mid-month and, at last night's close, found themselves closer to their highs than did the other averages.

This newly-emergent leadership from the speculative sector has some interesting implications. It could, of course, be dismissed as the typical froth which emerges at the tail-end of a bull-market. We have had, on the other hand, as recently as 1976-78, the phenomenon of a blue-chip bear-market in which secondary stocks failed to participate. A similar environment might repeat itself today.

The worst acting series, of course, have been our daily and weekly breadth indices. Although they continued to reach new peaks in April, they failed to equal those peaks in June, and the daily breadth index this week moved below its May low and is close to its April bottom. The weekly breadth indicator will also probably show a new low when figures are available, thus, along with the daily index, setting up at least a potential breadth divergence.

We admitted last week that we were guilty, at least to some degree, of the sin of hedging, but it is hard to see how a mixed picture such as that outlined in the table above can yet yield a definitive conclusion. Continued deterioration in major sectors such as the transportation, utility and financial areas, would have to engender a certain degree of bearishness. However with both the blue-chip and the Over-the-Counter areas acting well, it is hard to see immediate weakness emerging. That pattern change, which we now can date from the end of March, will have to clarify itself further before a radical change in market direction can be predicted.

AWT:vfl

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Dow-Jones Industrials (12:00 noon) 1869.35
S. & P. 500 (12:00 noon) 244.49
Cumulative Index (6/12/86) 3147.36