

TABELL'S MARKET LETTER

Delafield, Harvey, Tabell Inc.

600 ALEXANDER ROAD, PRINCETON, NEW JERSEY 08540

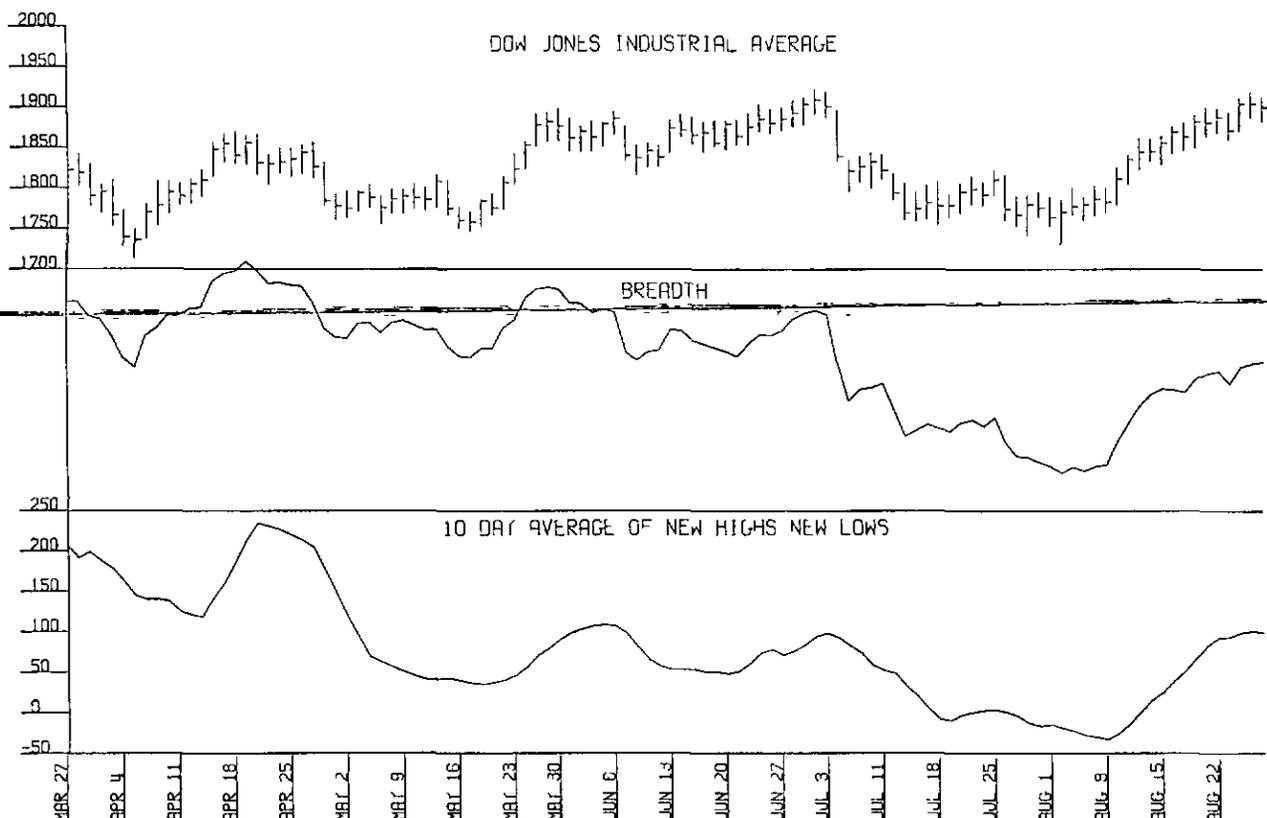
MEMBER NEW YORK STOCK EXCHANGE, INC
MEMBER NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC
(609) 987-2300

August 29, 1986

Two weeks ago in this space, we summarized our view of market developments as they had unfolded since last March. That view was not an optimistic one. We noted that the Dow, since reaching a high of 1821.72 on March 27th, had subsequently posted three slightly higher short-term peaks, on April 21st, June 6th, and, finally, on July 2nd at 1909.03. We pointed out, however, that these five months of mild upward bias in the major indices had been accompanied by a steady narrowing of leadership with significantly fewer stocks participating in the market strength as time went on.

We presented, we admit, little evidence for the positive view. We noted that the lows of early April and mid-May had been successfully tested, but we felt that most averages were, at that time, approaching short-term upside objectives.

In the subsequent two weeks, however, further market strength has indeed emerged. The Dow has progressed to within a hairsbreadth of new high ground, and the Standard and Poor's 500 has actually moved, by an equally miniscule margin, above its July-2nd high. As we attempt to show in the chart below, however, it is difficult to find, in this strength, any great evidence of underlying market improvement.



At the moment, as the chart indicates, we now have the third consecutive occasion since April of a peak in the average remaining unconfirmed by an equivalent peak in our daily breadth index. When we look, for example, at another measure of market leadership, the 10-day average of the difference between new highs and lows, we find that it has steadily deteriorated since March 27th. (The peak, indeed, was in February at 315.) It has, in the past couple of days, managed to exceed its July peak by a miniscule amount but still remains well below its level of April.

Now this, of course, is only the picture at the moment. Breadth, and a host of other indicators showing deterioration, could, in future trading sessions, repair themselves, and we would then have to reassess the upside possibilities. Unfortunately, an analysis of individual patterns does not suggest that these possibilities are all that great. The former market leaders, disinflation-hedge issues, indeed could test their former highs but have, by and large, reached long-term objectives. Meanwhile energy issues appear to be the only large group of stocks that are in a position to provide a significant new upside vanguard, and this possibility is by no means certain. While we do not rule out the continuation of modest short-term strength, we think that time, and an accumulation of evidence of internal broadening will be required to before that strength could attain major proportions.

AWT:vfl

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL, INC.

Dow Jones Industrials	1905.23
S & P 500	253.78
Cumulative Index (August 28, 1986)	3169.18

No statement or expression of opinion or any other matter herein contained is or is to be deemed to be directly or indirectly an offer or the solicitation of an offer to buy or sell any security referred to or mentioned. The matter is presented merely for the convenience of the subscriber. While we believe the sources of our information to be reliable, we in no way represent or guarantee the accuracy thereof nor of the statements made herein. Any action to be taken by the subscriber should be based on his own investigation and information. Delafield, Harvey, Tabell Inc., as a corporation and its officers or employees may now have or may later take positions or trades in respect to any securities mentioned in this or any future issue, and such position may be different from any views now or hereafter expressed in this or any other issue. Delafield Harvey Tabell Inc. which is registered with the SEC as an investment advisor, may give advice to its investment advisory and other customers independently of any statements made in this or in any other issue. Further information on any security mentioned herein is available on request.