

TABELL'S MARKET LETTER

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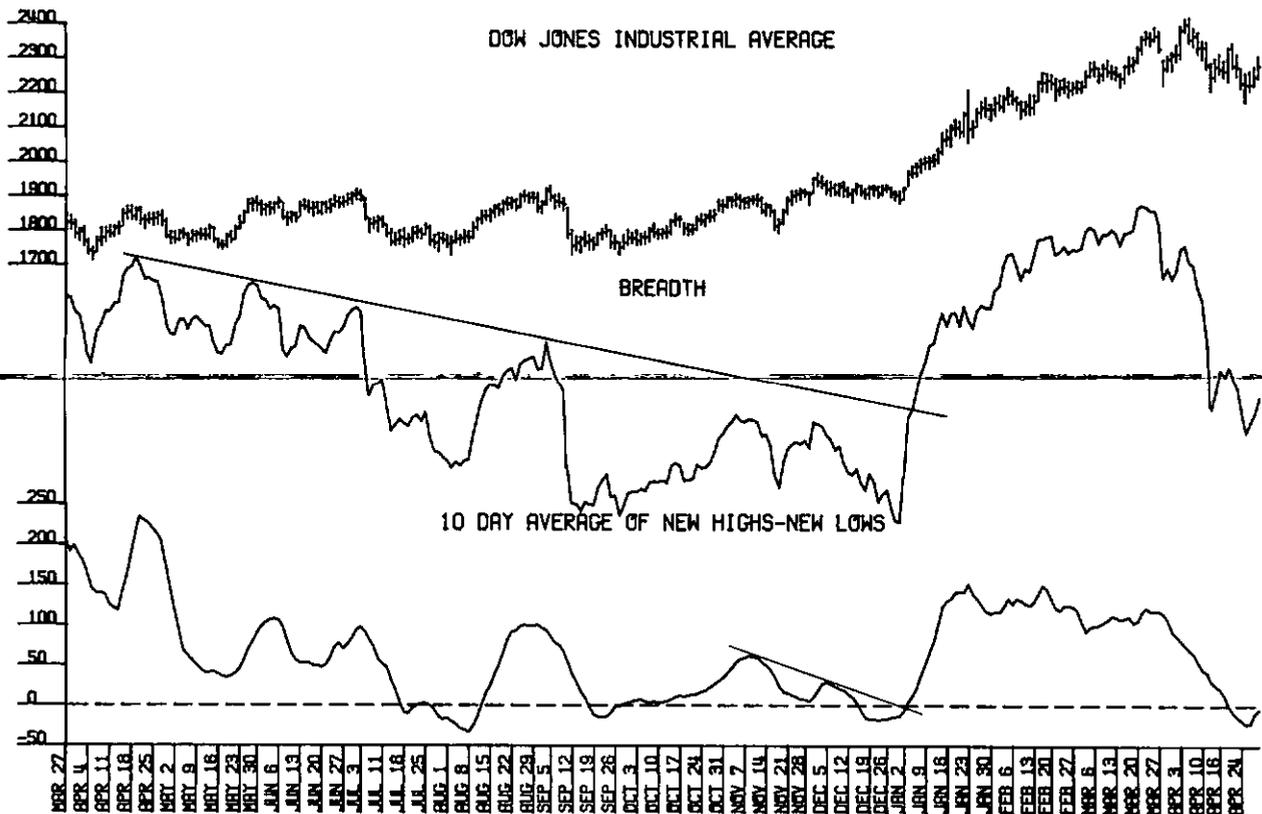
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It remains to be seen whether the adage about April showers and May flowers will hold true for the stock market in 1987. The latest rain on the market's parade took the form of a 7.27% decline over 14 trading days, following that one bright shining moment when the Dow closed above 2400 on April 6.

Thursday's market strength suggested that the decline might, for the time being, be over, although a test of the lows in the low-2200 area cannot be ruled out. The most readable downside targets for the Dow were in the 2170-2090 range, and the upper part of this range was approached intra-day last week.

The next major problem facing the technician will be determining whether April's action constitutes a correction in an ongoing bull market or the beginning of a top formation. Central to this will be an analysis of the next rally. As part of this process, we will be looking at indicators such as these shown below.



Market breadth produced a bullish confirmation when, after reaching a new low on the last day of 1986, it recovered to a new bull-market high above its earlier April peak. The only worrisome feature is the mild divergence between March 26 and April 3 and the steep decline which has since occurred. We would be disappointed, for example, to see the breadth index move below its bottom of last December, something it could do with a few sharply declining days. Eventually, for the bull market again to be confirmed, it will have to move ahead to a new high.

As far as new highs and lows are concerned, the 10-day average in January broke a short-term trend line and achieved a level above its August peak. Subsequent action, however, produced a decline below the zero level, a reading which, while not immediately bearish, is generally associated with the later stages of a bull market. Ability to move above its January high, where a couple of days saw more than 200 new highs being achieved, would also indicate an ongoing uptrend.

May-June action, traditionally, is a time of testing. If the averages can spend the next two months re-basing and commence a rally, with internal strength in the indicators shown above, continuation of the bull market will become a probability.

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AWT:bh
Dow Jones Industrial (12:00) 2298.29
S & P 500 (12:00) 289.59
Cumulative Index (4/30/87) 3662.91