TABELL'S MARKET LETTER

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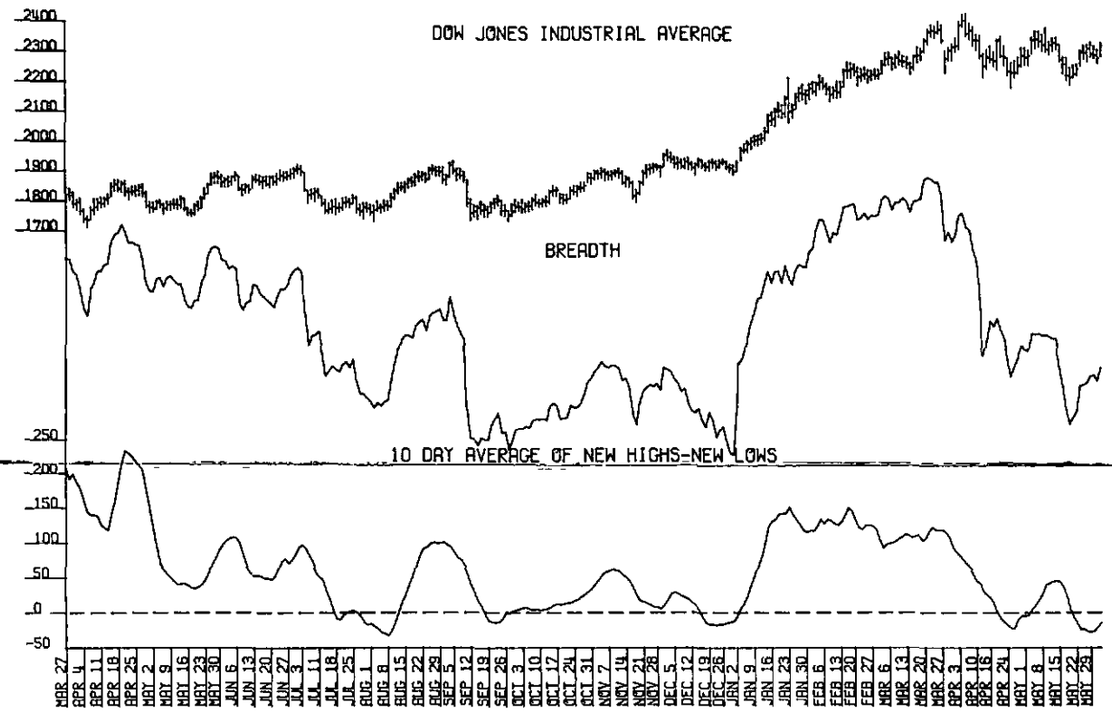
The chart below last appeared in this space just a month ago, but the ongoing development of the market pattern since that date, we think, makes it worth displaying again. When discussing the Dow a month ago, we noted that the 2200 level might again be tested. This, in fact, took place, and the lateral trading area between 2200 and, roughly, 2350 has now broadened enough to make the eventual breakout from this range significant---in whatever direction that breakout ultimately takes place.



While this sideways trading range was taking place in the Dow, the market's internal action was, unfortunately, not all that good. Our daily breadth index, the middle line on the chart, now has exhibited five successive lower peaks and a set of four lower lows. We noted earlier that we would not like to see the December low on breadth broken. Another minor downswing would, in all probability, accomplish this.

The number of stocks acheiving new highs has also, during the past month, managed to turn in a less-than-impressive performance. The ten-day average dropped below zero in late April, and, after brief strength, has returned to that area again. On only one day since the trading range began have we seen more than 100 daily new highs, and the most recent downthrust, with the Dow only marginally below its all-time peak, produced, on May 20, 119 new 52-week lows.

Now we have enumerated above what we believe are valid observations, but we feel constrained to point out that exactly the same objections could have been voiced regarding the period March-December, 1986. At that time, breadth posted six lower peaks before reaching a final low at 1986's end, after which, of course, the market took off on its 500-point advance. Additionally, the ten-day difference of highs and lows moved below the zero line in 1986 on no less than four separate occasions.

We are not suggesting here that, because manifest signs of deterioration were negated in January, 1987, we should ignore the emergence of similar portents as the averages, apparently, move into another trading range. We are noting, rather, that recent market behavior seems, at best, inconclusive. From a strategy point of view, we would rather admit this fact and keep our options open rather than allow ourselves to be pinned down to a forecast based on insufficent evidence.

ANTHONY W. TABELL
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AWT:ebh

Dow Jones Industrials (12:00)	2327.67
S & P 500 (12:00)	293.52
Cumulative Index (6/4/87)	3725.27