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

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It was L.-M. Lowry, we believe, who first made the pronouncement, "The market is always lowest at the low." It has always been one of our favorite quotes. Seemingly trite and obvious at first, it becomes, on a few moment's reflection, a reasonably profound truth. Bear markets, after all, consist of a series of new lows each one bringing further erosion of portfolio value. After a while, these lows become more frequent and, essentially, indistinguishable from one another. Yet one of them will prove, well after the fact, to have been the major low, the best buying opportunity of the entire cycle.

The same principle in reverse applies to bull markets, which are, by definition, a repetitive series of new highs. This observation is prompted by the fact that the Dow posted a new closing peak yesterday at 2451.05, the 38th occasion of a new high's being recorded since the bull market began on January 2. It is possible, of course, that this was the market high. Whether or not this was the case, however, we have one of the rare opportunities afforded the analyst to make a pronouncement with total certainty. We can assert that, as of June 25, 1987, a major bull market remained in effect.

How useful is this information? If bull markets had a record of turning on a dime and beginning precipitous plunges, it would have little or no value. Such, however, is not the case. Most bear markets do not begin the accelerated phase of their decline until well after the actual high is made, and they often begin it from a point very close to the high. In other words, that high is often tested quite some time later. This can be documented by the table below, which shows the high date for the last 11 cycle bull markets. It then shows the last date following the bull market high on which the Dow traded within 2%, 5%, 7%, and 10% of its peak. The figures in parentheses are the number of trading days between the high and the date shown.

BULL MARKET HIGH	LAST DATE WITHIN A GIVEN % OF HIGH 2%	5%	7%	10%
May 29, 1946	Jun 17, 1946 (12)	Aug 15, 1946 (54)	Aug 23, 1946 (60)	Aug 26, 1946 (61)
Jun 15, 1948	Nov 1, 1948 (101)	Nov 4, 1948 (103)	Feb 3, 1949 (172)	May 19, 1949 (264)
Jan 5, 1953	Mar 25, 1953 (55)	Apr 2, 1953 (66)	Aug 18, 1953 (158)	Sep 9, 1953 (173)
Apr 6, 1956	Jul 26, 1957 (328)	Aug 9, 1957 (338)	Sep 3, 1957 (354)	Sep 19, 1957 (366)
Dec 13, 1961	Mar 19, 1962 (65)	Apr 6, 1962 (79)	Apr 25, 1962 (91)	May 8, 1962 (100)
Feb 9, 1966	Feb 17, 1966 (6)	Apr 26, 1966 (52)	May 2, 1966 (56)	Jun 24, 1966 (94)
Dec 3, 1968	May 16, 1969 (109)	May 29, 1969 (128)	Jun 9, 1969 (124)	Jun 18, 1969 (131)
Jan 11, 1973	Jan 12, 1973 (1)	Jan 26, 1973 (10)	Oct 29, 1973 (201)	Nov 1, 1973 (204)
Sep 21, 1976	Jan 3, 1977 (71)	Mar 17, 1977 (123)	Apr 18, 1977 (144)	Jul 25, 1977 (211)
Apr 27, 1981	Jun 23, 1981 (40)	Jun 30, 1981 (45)	Aug 6, 1981 (71)	Aug 20, 1981 (81)
Nov 29, 1983	Jan 19, 1984 (35)	Jan 27, 1984 (41)	Feb 2, 1984 (45)	May 10, 1984 (113)

The figures show that in, seven of the eleven bear markets, the Dow returned to within 2% of its high over periods ranging from two to fourteen months. In ten cases, it had returned to within 5% of that high over a similar period, and, in all cases shown, a recovery to within 7% of the bull market high ultimately took place.

We have, of course, been commenting here on some of the negative aspects of market action including poor breadth, few new highs, and insipid volume. All of these phenomena, however, tend to lead highs in the averages by many months. In addition, the table suggests that, even after a high is reached, a serious decline does not usually set in until much later. This affords the analyst time to observe market action before actually making the suggestion that a given bull market is probably over.

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL INC.

AWT:ebh
Dow Jones Industrials (12:00) 2443.88
S & P 500 (12:00) 307.82
Cumulative Index (6/25/87) 3844.60