TABELL'S MARKET LETTER

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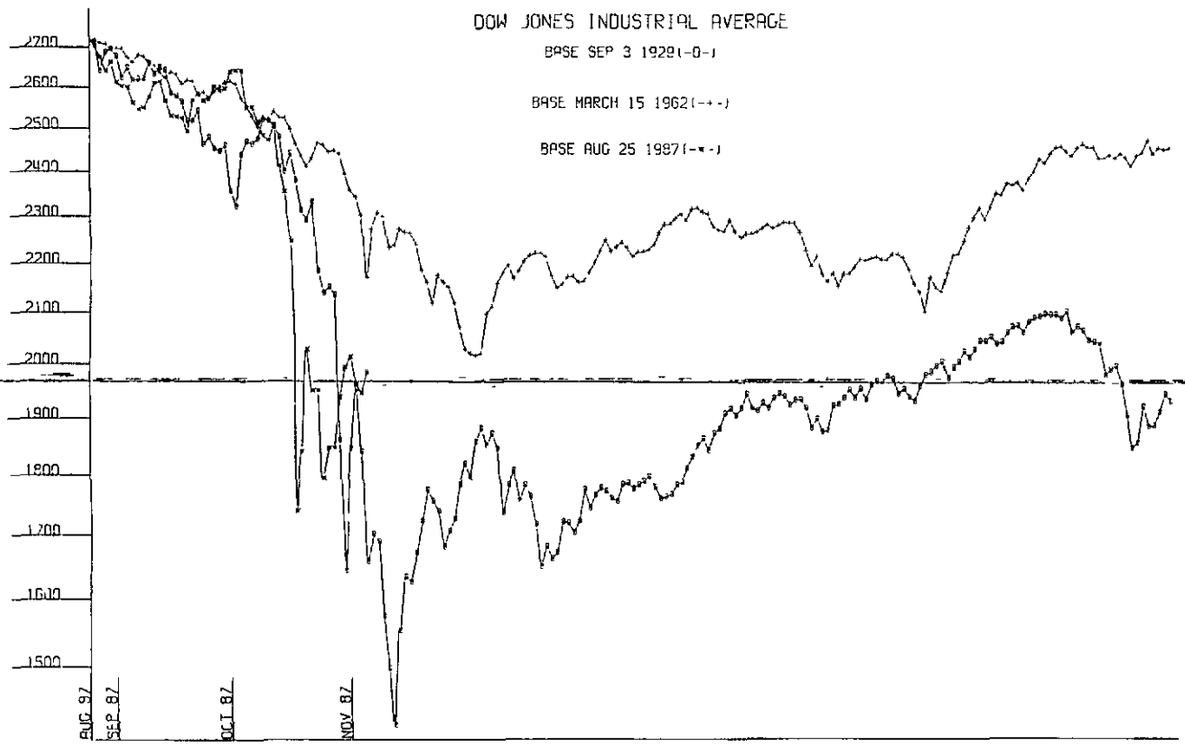
In our last two letters, following what has come to be called the "meltdown" of October 19th, we discussed at some length the comparison between that collapse and two prior climax bear markets, Fall, 1929 and Spring, 1962. The two analogies, we freely admit, are not proprietary, and a great many commentators have noted them, usually citing 1929 if they are bearish and 1962 if optimistic. We are perfectly content to see this sort of comparison being widely noted. It suggests that the technician's creed, which states that market history has something to tell us is becoming increasingly accepted.

The chart below compares the first 200 days of the 1929 and 1962 markets, together with 1987 action through yesterday. The two previous downswings are adjusted to a base of 2722.42, the August 25, 1987 high for the DJIA. The base dates used were the actual high date of the 1929 bull market and a secondary Dow high in March, 1962.



A close examination of the chart reveals a number of similarities between the three examples. Each started with an initial decline, from 2722.42 on August 25th in the present case to 2492.82 on September 21st. Comparable declines can be singled out for the two earlier periods, a 5.46% fall in 1962 over 22 days and a much steeper 14.7% drop taking 20 days in 1929. Each market recovered somewhat and then embarked upon its final, selling-climax plunge. As we have noted, the freefalls of 1929 and 1987 were quite similar. Last month the Dow fell 34.1% over eleven days versus 34.8% over fifteen days in 1929. The 1962 drop, as the chart clearly shows, was much less severe, reaching an equivalent of only 2170.

It is the aftermath of both prior declines which is of interest. Both, as the chart shows, subsequently penetrated their climax lows. The relatively constructive action of the past two weeks suggests that this may not be the case this time, but it certainly remains a possibility. However, once the secondary low was reached, action was reasonably positive, although interrupted, in 1962, by the Cuban missile crisis in October.

As we have said before, however, the chart to us seems to suggest that it is folly at this early stage to tie oneself to an inflexible forecast. What will be needed is continued analysis of the 1987-88 pattern which should, our chart suggests, continue to unfold without too great a variance from current prices. We should, after some time, have a clearer idea of whether that pattern is leading to something like the bull market of 1963-66 or an ongoing drop such as that which followed the April, 1930 high.

ANTHONY W. TABELL
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AWT:mjs

Dow Jones Industrials (11/5/87)	1985.41
S & P 500 (11/5/87)	254.48
Cumulative Index (11/5/87)	3113.57