TABELL'S MARKET LETTER

Delafield, Harvey, Tabell Inc.

600 ALEXANDER ROAD, CN 5209, PRINCETON, NEW JERSEY 08543-5209

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

March 18, 1988

In a pattern which has almost become the rule in recent weeks, the market staged a late surge on Thursday afternoon, taking the Dow Jones Industrial Average, along with a majority of other indices, to a new post-crash high. The October 21 peak, at 2027.85, was first broken on January 27 following an early-December test of the October 19 low. The January bastion was breached 2 1/2 weeks ago, on March 8, when the Dow attained 2081.07. That high was, in turn, bettered at yesterday's 2086.04 close.

As new pinnacles are achieved, various indicators are giving conflicting signals. The bulk of the evidence, however, remains, for the short-intermediate term, essentially positive. While there is some doubt about how far the various averages might go on the upside, it appears safe to say that we are looking at a stock market which, for the time being, does not seem to want to decline a great deal.

The superstars among market indicators are, at the moment, those measuring market breadth. This, constitutes, moreover, a reversal of form. The high attained by the Dow two days after the October crash was confirmed by breadth, but the early-January new high saw breadth significantly below where it had been in October. Between January and March, however, distinct broadening was evident. The February 29 peak at 2017.62 was confirmed by breadth and, for the week of February 29 - March 4, daily breadth achieved new highs in advance of later peaks in the Dow. Breadth confirmed the March 8 surge and also the high achieved yesterday. This behavior is characteristic of the early stages of an advance.

The fact that market leadership is broadening is confirmed by our weekly analysis of some 5,000 individual stock patterns. Since mid-January, literally hundreds of issues have moved into short-term uptrends, and around one-third of those have moved into intermediate-term uptrends also.

More evidence of improving market breadth can be seen in the resurgence of the OTC market. The Dow, and S & P 500 have both advanced about 20% from their October lows. The NASDAQ Industrial Average, meanwhile, has moved some 37% from its October bottom. This, we think, is of more-than-trivial significance. The small-stock sector of the market has been out of phase with the major-company component for a number of years. The Over-The-Counter Industrials, it must be remembered, peaked in June of 1983, with the Dow at barely 1200. To the July, 1984 low, the OTC average fell 38%, and that July low was tested in December, 1984. The August high last year was not all that much above the prior, June 1983 peak. Thus the fact that OTC stocks are now outperforming large-capitalization issues lends the market picture more creditability.

It is even possible on recent evidence that OTC issues could move ahead while the market is flat to down, as was the case in 1976 - 1978. Furthermore, it is still possible to find, in the OTC sector, stocks with multi-cycle bases, which go back well before the October lows.

There remain some uncertainties and negatives. A puzzling phenomenon is the recent concentration of daily change in the last hour of trading. The past 27 trading days have seen 15 up and 12 down markets. However, in 22 of those 27 markets, the last hour change was positive, and accounted for a major portion of the day's total change. A preliminary study of the historical significance of this behavior is unclear. We intend, however, to explore this issue further.

Meanwhile, a few fairly important negatives remain. During the same period that the Industrials were moving from below 1900 to well over 2000, the Dow Jones Utilities have trended downward from over 190 to around 175, with only a modest recovery taking place this week. It is not clear to us why utilities should be expected to be leaders, but, with interest rates currently being viewed with supra-normal significance, they have, indeed, in recent years, shown a leading tendency.

There are other phases of the financial picture which remain disturbing. Banking-system failures appear to be reemerging, and margin debt, normally a coincident stock-market indicator, has been declining for some months. However, such bearish phenomena, for the time being at least, remain infrequent.

All of this makes a forecast rather difficult. However, it is sufficient to assume, until some sort of deterioration presents itself, that major-market indices are headed higher.

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL INC.

AWT:ebh

Dow Jones Industrials (12:00)	2093.17
S & P 500 (12:00)	271.98
Cumulative Index (3/17/88)	3672.33