

TABELL'S MARKET LETTER

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April 29, 1988

Just over six months have now passed since the stock market crash of October 19, 1987. To date at least, none of the onward disasters predicted in the wake of the crash have materialized. Neither, however, has a new uptrend, of the sort that might suggest October was no more than a bad dream, emerged. What has happened, rather, especially over the last month, is a burst of lassitude.

This can best be observed by a glance at trading volume. Yesterday's activity, 128 million shares changing hands, was the third lowest figure since the crash. We have had, in that time, only three lower-volume days, all related to the Thanksgiving and Christmas holidays. A ten-day average of trading volume was as low as 155 million shares earlier this month and will probably be lower today.

All of this does nothing to penetrate the fog surrounding the current market outlook. It is axiomatic that increased volume would be required to suggest a rally of any significance, but such an increase could manifest itself at any moment. The last two major bottoms, in 1982 and 1984, it will be recalled, manifested themselves after protracted periods of dullness.

Meanwhile, group rotation has been pronounced. This can be illustrated by the following table which shows the levels for three Dow Jones Averages, Industrials, Transports, and Utilities, at various points following last August's all-time high, preceded by the dates, often different, at which the various benchmarks were reached. Following each average is its percentage change from the prior level.

	Industrials			Transportation			Utilities		
1987 High	8/25	2722.42	-	8/11	1100.11	-	8/14	213.79	-
Crash Low	10/19	1738.74	-36.1	10/20	740.25	-32.7	10/19	160.98	-24.7
Initial Recovery	10/21	2027.85	+16.6	10/21	787.01	+6.53	10/21	188.66	+17.2
December Test	12/4	1766.74	-12.8	12/4	661.00	-16.0	12/4	173.19	-8.2
January High	1/7	2051.89	+16.1	1/7	789.43	+19.4	1/7	188.42	+8.8
January Low	1/20	1879.14	-8.4	1/21	737.57	-6.6	1/14	176.92	-6.1
Late March High	3/18	2087.37	+11.1	3/23	904.12	+22.6	1/29	190.02	+7.4
Jan-March Low	3/30	1978.12	-5.2	3/28	854.84	-5.5	3/30	171.29	-9.9
Early April High	4/12	2110.08	+6.7	4/12	884.56	+3.5	4/8	176.56	+3.1
Late April Low	4/20	1985.41	-5.9	4/20	827.36	-6.5	4/20	167.26	-5.3
Recent	4/28	2041.28	+2.8	4/28	840.20	+1.6	4/28	170.40	+1.9

As measured by the Industrials, the all-time high was reached on August 25 of last year, and the low, after a 36% decline, on October 19. Following a two-day initial recovery, the market moved gradually lower to a successful test of the crash low in early December. This test was followed by the attainment of a high above 2000 in early January. Since then, two subsequent highs have been posted, in March and in early April, neither one producing much in the way of followthrough.

However, along with the series of higher peaks, each of the intervening lows has also taken place at a higher level, thus producing a pronounced uptrend channel, although not a terribly steep one.

Measured from 1987 highs, the Utility Averaged has acted better than the other two. It now stands 20.3% below that high, with comparable figures for the industrials and transports being 25.0% and 23.6%. For 1988, however, utilities have been the worst performers. The average is now more than 10% below a peak scored back in January, whereas the Transport Index is now 7% below its March high, and the Industrials level is now just 3.3% below a peak chalked up only a couple of weeks ago.

Patterns have varied in other ways. Through the December low, the table clearly shows the Transport Average as the worst performer. It was the only average of the three to break its October low at that time. This was immediately followed by a period during January-March when it clearly outperformed the Industrials. That outperformance, however, seems to have evaporated since the March highs, with the average failing to better its early 1988 peak.

The utility pattern is almost the opposite. That average was the best-acting one for the October-December period, declining the least in the crash, showing the strongest subsequent recovery, and the smallest decline to the early-December test. For 1988, however, the utilities reversed this behavior. They struggled to a new peak in January---which has turned out to be their post crash high so far---and, as we noted at the time, actually moved below their early-December lows this month.

All of this, of course, only shows what we have been suggesting for most of 1988---that market action remains varied and without any clear-cut indication of a general market trend. Needless to say, the appearance of such evidence will be welcome, and we hope to be able to identify it when it occurs.

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AWT:ebh
Dow Jones Industrials (12:00) 2027.69
S & P 500 (12:00) 260.89
Cumulative Index (4/28/88) 3638.96