

TABELL'S MARKET LETTER

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We said in last week's letter, "...if encouragement is to be drawn from the market's behavior over the past two weeks, it is probably more appropriate to base it on what the market did not do, rather than on what it did". Following this week's continued upside action, it is necessary to temper that encouragement by again noting that the market, so far, at least, has not done what it might have.

Let us drag that by one more time. It is no news that the market averages have, since last October, generally been contained in more-or-less lateral trading ranges. What is somewhat unusual is the extent to which many major stocks reflect that pattern, including sixteen of the thirty DJIA components which we shall be discussing below. A week ago, we were suggesting that, as the market reached short-term lows at the end of May, many stocks were close to falling out of these trading ranges on the downside, events which, had they become widespread, would hardly have brightened market prospects. The advance, as it continued through this week, seemed like a mirror image of the previous decline, in that, to date in any case, upside penetrations have failed to take place.

It is true that, in the case of the averages, marginal post-crash highs were scored. The Dow achieved a new intra-day peak on Wednesday, but not a new high close---an accomplishment the S & P 500 and the NASDAQ Industrials managed to achieve. At this writing, however, none of this has yet produced significant follow-through, anymore than did the whole succession of minor new peaks which the averages have served up during 1988 so far.

The tale of the once-more-traversed trading ranges by major issues can be exemplified by the action of the sixteen Dow components in the table below. The first column gives each issue's October low followed by the upper and lower limits of the trading range which followed the rebound from that low and which continues to date. Next shown is the May low and the percentile of that figure within the trading range. (This statistic measures the stock's relative position in the range. A low number indicates the price is near the range's bottom, and a high number, near 100, shows a level in the upper part of the range.) The same procedure is then applied to the high of this Wednesday.

Stock	Oct. Low	Subsequent Trading Range	May Low	Percentile	June 8 High	Percentile
Allied-Signal	27	38 1/2 - 26 1/8	30 7/8	38	34 1/4	65
Aluminum Co. of America	33 3/4	51 1/8 - 38 5/8	43 1/8	36	50 1/2	95
American Express	20 3/4	29 3/8 - 20 3/4	23	26	27 1/4	75
AT & T	23	30 1/4 - 25 1/2	25 3/4	5	27 1/2	42
Coca-Cola	29	43 3/4 - 35	35 1/4	3	39 1/4	49
Du Pont	75	94 3/8 - 76 1/2	79 1/8	15	87	59
General Electric	39	51 - 38 3/8	38 3/8	0	43 3/4	43
IBM	102	121 5/8 - 105 5/8	107 1/2	12	116 7/8	69
McDonald's	31 3/8	48 - 39 1/4	41 7/8	30	45 3/8	70
Merck & Co.	49	63 3/8 - 48	48 7/8	6	56 1/4	54
Minnesota Mining & Manufact.	45	67 1/2 - 55 1/4	56 7/8	13	64 1/4	73
Philip Morris	77 1/8	96 3/8 - 81	80 1/2	--	87 1/8	40
Procter & Gamble	60	89 1/2 - 76 3/4	70 3/4	--	78	10
Sears	26	39 7/8 - 29 3/4	33	32	36 3/8	65
Union Carbide	15 1/2	25 5/8 - 18 5/8	17	--	20 1/8	21
Westinghouse	40	55 7/8 - 40 1/4	49 3/4	58	54 1/2	91

As the table shows, back in May, six stocks had either penetrated their previous lows by a fraction or were within 10 percent of doing so. Almost all stocks had retreated to the lower third of their respective formations. At this week's high, by contrast, most issues had returned to somewhere well above the mid-point of the ranges involved. It is important to emphasize that, in our view, these trading ranges remain significant and that, when a significant number of confirmed breakouts emerge, an important clue as to the market's course will have been provided.

It may be worthwhile to indicate why the fourteen remaining Dow components do not find themselves in the above table. Bethlehem Steel, Boeing, Texaco, and Woolworth have all managed to move above their 1987 highs. General Motors and Goodyear have, like these four, produced important uptrends, but are now approaching heavy overhead supply. Chevron, Exxon, International Paper, and USX Corp have already penetrated post-October trading ranges and appear headed for higher levels. Eastman Kodak, Primerica, and United Technologies seem to be in ongoing downtrends rather than in base areas, and Navistar is too low-priced to be of significance.

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AWT:ebh
Dow Jones Industrials (12:00) 2105.79
S & P 500 (12:00) 270.76
Cumulative Index (6/9/88) 3832.01

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