

# TABELL'S MARKET LETTER

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Despite a Thursday and early-Friday rally, July, 1988 will, almost certainly, turn out to have been a down month. The DJIA, along with almost all other averages, reached a closing high early in the month, on July 5, at 2158.61. At Wednesday's close of 2053.70, it was down 4.86% from that high.

This action is in near-perfect conformity with recent trading patterns. We pointed out two weeks ago in this space that the market since October 19 had consisted basically of backing-and-filling action which could be isolated by using a 4% filter. The July 5 - 27 period constitutes the seventh 4%-or-greater correction in the almost-ten-month period since the October crash.

The July decline also conforms to what appears to be a recent alteration in the summer-rally pattern---if, in fact, there exists such a pattern, a proposition of which we find ourselves less convinced than most analysts. In any case, five of the seven Julys since 1982 have been downward months, and the July record for the past 63 years is now 38 advances versus 25 declines, a ratio not all that different from the overall average. For what it is worth, August, in recent years, has tended to retain its upward bias. This upward bias also appears to be valid for Augusts occurring in an election year. Based on average price, the market has been up during August in 17 of 22 election years since 1900. It will also be recalled that, in general, the second half of election years possesses a bullish bias.

We are probably due for a test of whether this pattern will hold in 1988. As noted above, most major averages peaked on July 5. Likewise, the vast majority of major averages reached lows on Wednesday and saw their previous benchmark lows on May 23. Almost uniformly, the short-term tops for these indicators have downside objectives just above the lows of last May---indicating a test of the May lows which is likely to be successful. The table below shows the relevant statistics.

	<u>July 5</u>	<u>July 27</u>	<u>% Decline</u>	<u>Downside Objective</u>	<u>May 23</u>
DJ Industrials	2158.61	2053.70	- 4.86	2010-1950	1941.48
DJ Transportation	908.45	855.73	- 5.80	845 - 820	784.05
DJ Utilities	182.14	175.50 (7/22)	- 3.65	174 - 169	167.67 (5/11)
S & P 500	275.81	262.50	- 4.83	262 - 256	250.83
S & P Industrials	318.52	303.15	- 4.83	301 - 295	290.74
S & P Financial	25.22	23.97	- 4.96	23 - 22	21.83
NYSE Composite	155.57	148.74	- 4.39	145	142.21
NYSE Industrials	188.33	179.75	- 4.56	174	172.22
NASDAQ Composite	396.1	383.3	- 3.23	-	363.3
NASDAQ Industrials	413.1	393.2	- 4.82	-	372.6

What is particularly interesting, we think, is the uniformity among the widely disparate averages---to a degree we cannot recall observing in recent years. With the single exception of the Dow Jones Utilities, all of the averages in the table show a low on May 23, a high on July 5, and a low last Wednesday. The similarity of the percentage declines is likewise remarkable. With the notable exception of the OTC averages, each indicator has a short-term top which counts to around the low of last May. If the lower end of the downside target ranges for the various indices is achieved, the action of those indices versus their respective May lows should be observed very closely. The resultant test should, we think, be a significant indicator of market direction for the remainder of 1988.

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AWT:ebh

Dow Jones Industrials (12:00) 2097.44  
S & P 500 (12:00) 267.35  
Cumulative Index (7/28/88) 3868.98

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