TABELL'S MARKET LETTER

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December 2, 1988

One of the basic tenets of technical analysis is that trends persist---in other words that, at any given time, markets are most likely to continue to do just what they have most recently been doing. Inevitably, of course, there is a turning point for every trend, and technicians spend a great deal of energy in attempts to identify those turning points. The point is that reversals are relatively rare events, and trend continuances constitute the norm.

Such is the case at the moment, where there exists little evidence to suggest that equity markets are likely to begin doing anything significantly different from what they have been doing throughout 1988, i.e. nothing.

Date	DJ Average	Percent Change This Swing	Percent Change From Hi	Percent Change From Lo	Number Of Days This Swing	Number Of Days Cumulative
Dec 4 87	1766.74	-	-	-	0	0
Jan 7 88	2051.89	16.14	-	-	22	22
Jan 20 88	1879.14	-8.42	-	-	9	31
Apr 12 88	2110.08	12.29	2.84	-	57	88
May 23 88	1941.48	-7.99	-	3.32	29	117
Jul 5 88	2158.61	11.18	2.30	-	29	146
Aug 23 88	1989.33	-7.84	-	2.46	35	181
Oct 21 88	2183.50	9.76	1.15	-	42	223
Nov 16 88	2038.58	-6.64	-	2.48	18	241
Nov 30 88	2114.51	3.72	-	-	9	250

The table above tells the dreary story. On January 7, the fourth trading day of the year, the Dow was at 2051.89, within a couple of percentage points of where it is today, and above its low of two weeks ago. That January high culminated a 16% advance from the early December test of the crash lows. The entire year has, therefore, consisted of seven intermediate-term trading swings, three up and four down, averaging just over 9% in extent, and a bit over 30 trading days in duration.

There exists a tiny ray of sunshine in the fact that this trading range appears to have a slight upward bias. Each of the three major highs so far, April, July, and October, has exceeded the previous one by around 2%, and each of the lows, May, July, and---assuming it holds---November 16, has likewise been slightly better than its predecessor. Projecting this environment through December, one might expect a high some 2% above October, say 2225, as a possible target for a year-end rally. We would hesitate to make such a prediction on extrapolation alone, but there is nothing in the present evidence which seriously contradicts it. The downside objective for the Dow was reached at the October low, and, although there currently exists no base to suggest an immediate upward move, one could form fairly quickly, particularly were a pull-back testing the mid-November bottom to occur.

As we suggested above, the technician is condemned these days, to scratching for reversal evidence, and finding none. Such evidence is certainly not to be found in looking at volume, which appears to be in a sort of a bear market of its own. In any case, a 60-day smooth of daily NYSE volume peaked at around 218 million shares in October and again in December, 1987. The figure dropped from there to 175 million in February and, after a short rally, to 161 million in June. August saw a rise back to 176 million but, as of Tuesday, the average posted a new low at 147 million shares. Looked at another way, total volume for the month of November was 2.8 billion shares, the first month under 3 billion in two years and the lowest monthly aggregate since August, 1986.

Of course, as we have always noted in discussions of volume, the real way to look at it on a long-term basis is in terms of shares listed. The turnover ratio is the percentage of total listed shares which trade in any given period. Measured in terms of months, that number dropped under 4% in November for the first time since September, 1985. The November ratio, estimated at 3.7%, compares to 6%-plus levels achieved repeatedly in 1987.

A long-term view of the turnover ratio is an interesting story. Its record value was 15.5% in 1928, and, over 14 years, it declined to under 1/2 of 1% in 1942. By 1946, it had soared to 2 1/2%, and then in 1946-1949---a period, our readers know, to which we have compared the present one--it once more retreated to around 8/10 of 1%. It did not move above 3% for almost 30 years, until 1978. Subsequent expansion was more rapid. The 5% level was attained in 1982. It remained mostly in the 3% - 4% range through 1985 and then expanded to 6% in 1986.

There now exists a year's worth of evidence suggesting that the trend may have turned down again. Under these circumstances, it is not unlikely that trading could return to 1982 levels with a turnover ratio of around 2 1/2%. Given today's listed shares, this could mean months in which daily volume averaged close to, or even under, 100 million shares, not, it must be admitted, a particularly pleasing prospect.

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Dow Jones Industrials (12:00)	2090.15
S & P 500 (12:00)	271.18
Cumulative Index (12/01/88)	3842.45

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