TABELL'S MARKET LETTER

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We must confess that we face the challenge of preparing this particular piece with a certain degree of trepidation. Custom requires us, along with most other market commentators, to produce a year-end forecast, and, traditionally, we have divided this forecast into two parts, the first part, due in this issue, being a review of the year 1988. The difficulty lies in making such a review more interesting than watching paint dry.

It seems, indeed, that the theme of just about each letter we have produced over the past six months has been how excrutiatingly dull the action of the stock market has been. It really has not been all that bad a year. The Dow, with two weeks of 1988 to go, finds itself a bit over 12% above its 1987 close, and there have, heaven knows, been worse year-to-year results. It is that markets which are exciting and interesting are those that are going somewhere or doing something. This, the 1988 market never seemed to want to do. Quite obviously, since the averages are up on the year, there were a number of occasions, notably in January, March - April, July, and October, which featured the attainment of new post-crash highs. However, the typical pattern was two or three such highs scattered over a period of a couple of weeks followed by a retracement of almost the entire move.

We reviewed the details of all of this two weeks ago. 1988 began with the culmination of a fairly dynamic year-end rally, which topped out three days into the year. Since then, the year's pattern has comprised seven swings of between, roughly, 6 and 12 percent, lasting on average for some 30 trading days. The highs and lows for each successive swing tended to be slightly above the level of its predecessor, thus giving the whole pattern a minuscule upward bias and producing the modest overall rise noted above.

All these moves back and forth, however, produced one of the narrowest trading ranges in market history. The range between the year's high and low, 16.2%, ranks 80th on the list of 92 years since the Dow was first computed. If one omits a dozen or so trading days in January and February when the Dow traded below its May bottom, an even narrower range of 12 1/2% has been in effect---a range narrower than that of 91 of the 92 years since 1897.

As if all of the above were not bad enough, the last three quarters of the year have, as we have repeatedly pointed out, been characterized by subnormal breadth, a divergence between breadth and the averages having been in effect since March. In addition, as we pointed out last week, volume, as the year went on, tended to dry up, and there exist some indications that it might fall to levels even lower than today's already-depressed ones.

A number of other factors need, it seems to us, to be mentioned in a review of 1988. One obvious one is that it followed on the heels of October, 1987. We will not cite all of the gory statistics (they have been set forth repeatedly here) that show this was the worst market crash since 1929. We will simply note that, in our view, the occurrence of the crash and the torpor of 1988 are not unrelated. We find ourselves in agreement with conventional wisdom that the 1987 break produced general discouragement in regard to the equity market, and that this contributed to the dullness which pervaded last year.

Ironically, the general public, unfamiliar with Wall Street, may well have the impression that the year was an exciting one. For it was, as we all know, the year of the takeover. This phenomenon, which did, indeed, produce tiny islands of excitement among the dullness, spilled over from the financial section to the front pages of the nation's press, especially as it began to take on, as in the case of the RJR-Nabisco affair, some of the elements of soap opera.

The takeover boom, however, raised more serious issues. Many of these issues involved, in one form or another, the process of debt creation, especially the proliferation of so-called "junk" debt. Prolonged and intense debate among serious students of the stock market on this subject continued throughout the year. The issue remains, we think, largely unresolved.

Discussion was not confined to the area of private debt creation. 1988, of course, was an election year, and we heard a great deal about two economic issues in particular---the budget and trade deficits. Few analysts seemed terribly optimistic about an immediate resolution of either of these problems.

To borrow a phrase from ex-President Carter, 1988 can be characterized as a year of malaise. Just about everything in market history, or course, has taken place before, and malaise is no exception. As is typically the case with majority opinion, it often proves to be unfounded. We have pointed out from time to time during the year the similarities of 1988 market action to that of past rebasing periods, focusing to a great extent on 1946-1949. This particular aspect of market behavior will be relevant, we think, to next week's 1989 forecast.

ANTHONY W. TABELL
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Dow Jones Industrials (12:00)	2139.46
S & P 500 (12:00)	274.82
Cumulative Index (12/15/88)	3834.70

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A VERY MERRY CHRISTMAS TO ALL!