

# TABELL'S MARKET LETTER

*Delafield, Harvey, Tabell Inc.*

600 ALEXANDER ROAD, CN 5209, PRINCETON, NEW JERSEY 08543-5209

MEMBER NEW YORK STOCK EXCHANGE, INC  
MEMBER NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC  
(609) 987-2300

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The rally which began on November 16 was extended further yesterday and this morning. At Thursday's close of 2291.07, the Dow had advanced 12.4% over 48 trading days. These numbers remain within the framework of the typical post-crash rally, but a number of encouraging things are taking place. Among them is the attainment, intra-day at least, of the 2300 short-term objective mentioned in this space two weeks ago, extending the year-end rally to 10% above the December low, normally an encouraging sign.

We noted last week, only semi-facetiously, that we would be impressed if the market could shrug off higher interest rates. It did this to some degree on Thursday when a rise in durable goods orders brought about the predictable weakness in long bonds. Equities, however, were able to advance, spurred by good 1988 earnings reports from a number of leading companies. This rationality is a refreshing contrast to the "bad-is-good" syndrome of 1988.

Market improvement is often accompanied by shifts in leadership, and there is some sign, although still preliminary, that this is taking place. The tables below show the 4-week and 26-week changes for a number of S & P industrial groups as of this Wednesday. The one on the left shows the 30 best-performing out of a total of 95 groups over 26 weeks and is ranked in that order. The right-hand table is ranked on 4-week changes and shows the best-performing groups for that timeframe.

GROUP NAME	4 WEEK CHANGE		26 WEEK CHANGE		GROUP NAME	4 WEEK CHANGE		26 WEEK CHANGE	
	RANK	% CHG	RANK	% CHG		RANK	% CHG	RANK	% CHG
TOBACCO	81	2.039	1	42.003	HEALTH CARE-MISC	1	22.184	90	-4.160
FOOD CHAIN	29	0.499	2	37.015	MANUFACTURED HOUSING	2	15.400	5	27.161
AIR FREIGHT	20	7.030	3	35.400	GOLD	3	13.459	79	-0.201
FOODS	79	2.271	4	31.100	CONTAINER PAPER	4	13.286	67	4.785
MANUFACTURED HOUSING	2	15.480	5	27.161	TOYS	0	10.942	24	13.982
CONTAINER METAL & GLASS	35	5.745	6	21.659	SAVINGS & LOAN COMPANIES	7	10.664	12	18.803
POLLUTION CONTROL	06	3.378	7	20.240	ALUMINUM	8	9.843	18	17.052
BROADCAST MEDIA	21	7.579	8	19.501	MACHINE TOOLS	9	9.039	80	-0.250
TEXTILE PRODUCTS	22	7.306	9	19.233	NATURAL GAS	10	8.902	25	13.882
BEVERAGES ALCOHOLIC	17	8.238	10	18.919	GAMING COMPANIES	11	8.759	16	17.336
RAILROADS	63	3.809	11	18.888	ENTERTAINMENT	12	8.753	21	15.225
SAVINGS & LOAN COMPANIES	7	10.664	12	18.803	OIL & GAS DRILLING	13	8.717	60	0.550
SOFT DRINKS	90	0.247	13	18.444	HOSPITAL MANAGEMENT COMPANIES	14	8.512	23	14.234
HOUSEHOLD PRODUCTS	02	3.814	14	18.200	RETAIL STORES(DRUG)	15	8.401	72	2.901
RESTAURANTS	50	4.203	15	17.374	COAL	16	8.309	49	9.152
GAMING COMPANIES	11	8.759	16	17.336	BEVERAGES ALCOHOLIC	17	8.238	10	18.919
ELECTRONICS-INSTRUMENTATION	42	5.050	17	17.162	EXCLUDING I.B.M.	18	8.210	81	-0.310
ALUMINUM	8	9.843	18	17.052	OTHER MAJOR BANKS	19	8.002	45	9.966
AIR TRANSPORT	23	7.267	19	16.228	AIR FREIGHT	20	7.030	3	35.400
FOOD WHOLESALERS	94	-0.660	20	15.750	BROADCAST MEDIA	21	7.579	8	19.501
ENTERTAINMENT	12	8.753	21	15.225	TEXTILE PRODUCTS	22	7.306	9	19.233
MULTI-LINE INSURANCE	41	5.371	22	14.750	AIR TRANSPORT	23	7.267	19	16.228
HOSPITAL MANAGEMENT COMPANIES	14	8.512	23	14.234	HOUSEHOLD F & A	24	7.204	69	4.297
TOYS	0	10.942	24	13.982	BROKERAGE FIRMS	25	7.100	26	13.489
NATURAL GAS	10	8.902	25	13.882	CHEMICALS-DIV	26	7.040	75	1.727
BROKERAGE FIRMS	25	7.100	26	13.489	COMMERCIAL SERVICES	27	7.024	47	9.800
HOME BUILDING	37	5.630	27	13.153	STEEL	28	6.701	65	5.762
METALS MISCELLANEOUS	5	12.377	28	12.920	FOOD CHAIN	29	6.499	2	37.815
OFFICE EQUIPMENT & SUPPLIES	71	2.676	29	12.802	SHOES	30	6.312	51	6.340
TEXTILE APPAREL MFRS.	45	4.990	30	12.716					

The immediate impression gained by looking at the left-hand table is that it is dominated by consumer-goods industries, for example, Tobacco, Food Chains, Foods, Soft Drinks, Restaurants, etc. It is striking that a number of these groups, which have ranked among the top 30 in performance over the past six months, have dropped toward the bottom of the list when measured over the most recent one-month period. While all the groups shown at left bettered the 10.3%, 26-week gain in the Dow, a great many of them were unable to equal the 4.6% gain which the Dow had posted between December 28 and Wednesday.

The right-hand table, on the other hand, shows a number of "new" names. Among the most interesting, in our view, are Aluminum, Machine Tools, Oil and Gas Drilling, Coal, Chemicals, and Steel. Many of these groups were among the worst performers over the past half-year, but have, in the last month, moved into the top third of the list. Market leadership on the part of such cyclical stocks would be an encouraging sign in our view since, as mentioned last week, it is these issues which possess the multi-year bases which could produce important upside moves.

ANTHONY W. TABELL  
DELAFIELD, HARVEY, TABELL INC.

Dow Jones Industrials (12:00) 2326.07  
S & P 500 (12:00) 294.14  
Cumulative Index (1/26/89) 4131.91

AWT:ebh

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