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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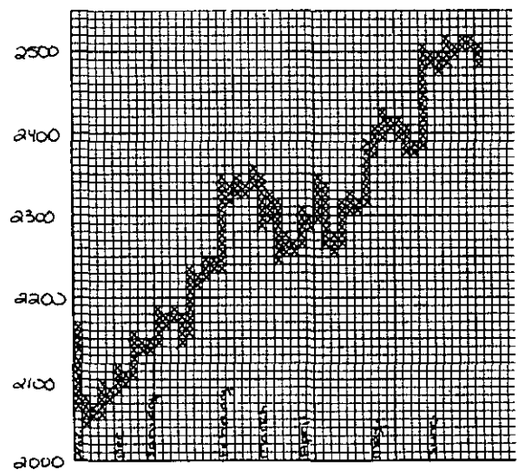
Especially given Thursday's weakness, it is hard to avoid the impression that there has been some change in the character of the market, although that impression is difficult to quantify. The Dow, after all, made a new bull-market high as recently as Monday. However, this high, at 2518.66, was virtually identical to the one posted on June 2, and not all that much above one posted over three weeks ago when the average moved above 2500 for the first time. A modest flattening of the uptrend is, thus, perceptible.

One can conveniently divide the major cycle so far into two phases, the first of which moved the DJIA from 1766.74 in December, 1987 to 2183.50 last October. The second began on November 16 at 2038.58 and brought the average to its Monday high. Coincidentally, in percentage terms, these two advances are identical to within a tenth of a point at 23.5%. However, the most recent one took place in far less time, and the advance has been at an annual rate of 45%. It is the technical condition of that second-phase advance shown at the right by a 10-point point-and-figure chart on the Dow, which should now be our major concern.



As the chart suggests, this is the third noticeable interruption in the rise so far. The first one took place during February and March, with the average holding in a trading range between 2240 and 2350. New highs in April were followed by a much smaller consolidation between 2370 and 2420, and we now have the most recent pause, between 2470 and 2510.

This range has, as yet, not been violated, and there is, at the moment, no suggestion that it is anything more than another consolidation. Were a downside penetration to 2460 to take place, a decline to the support around 2420 would be indicated. There are, of course, many ways in which this pattern could broaden, and it will need to be watched. At this stage, however, neither it nor individual tops on most stocks suggest anything particularly worrisome.

Average	Nov Low	Feb High	% Chg	Mar Low	% Chg	Apr High	% Chg	May Low	% Chg	Last High	% Chg	Total % Chg
Dow Jones Indus	2038.58	2347.14	15.14	2243.04	-4.44	2418 99	7.84	2371.33	-1.97	2518.66	6.21	23.55
S & P Composite	263.82	299.63	13.57	287.11	-4.18	309.64	7.85	305.19	-1.44	326.95	7.13	23.93
S & P Indust.	302.84	346.41	14.39	331.48	-4.31	357.49	7.85	351.35	-1.72	373.82	6.40	23.44
Dow Jones Trans	890.98	1087.97	22.11	1009.09	-7.25	1144 08	13.38	1112.06	-2.80	1158.31	4 16	30.00
Dow Jones Util	181.54	190.97	5 19	181.84	-4.78	192.80	6.03	191 68	-0.58	206.50	7.73	13.75
ASE Index	285.37	327 23	14.67	321.42	-1.78	345.28	7.42	344 66	-0.18	366.16	6.24	28.31
OTC Industrials	356.38	406.20	14.01	390 30	-3.91	425.70	9 07	424.30	-0.33	447.80	5.54	25 68

As the table above shows, the action for the various averages on the bull-market leg since November has been remarkably similar, and there are only tentative indications of a possible shift in leadership. The three major averages, the Dow, the S&P 500 and the S&P Industrials have posted almost identical percentage advances over the seven-month rise, and their action on each up and down swing has likewise been similar. Through the high of last April, at least, it has been the Dow Jones Transportation Average which has been the star of the show, posting a rise half again as great as that of the Industrials. Some suggestion that it may be running out of steam arises from its somewhat larger decline in early May and slower rise since that time.

The performance of the Dow Jones Utilities has, of course, been poor on an absolute basis, but much of this is explainable by their characteristically lower volatility. Interestingly, on the last leg up, from the beginning of May, this normally staid indicator has been the best performer. This, we think, has some implications for interest rates. This subject was discussed at length in this space back on May 5th.

It is notable that, so far, the two speculative indices, the AMEX and OTC Industrials, have failed to outperform their senior brethren. It has long been an open question as to whether the secondary sector of the market is going to have its day in the sun during this advance.

There appears, in summary, to be no suggestion of any major change in market direction or character, other than the possibility of a consolidation and 4-5% correction, along the lines of February-March. Further evidence of deterioration would have to manifest itself before anything worse than this could be foreseen.

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL INC.

Dow Jones Industrials (12:00) 2479.29
S & P 500 (12:00) 319.88
Cumulative Index (6/15/89) 4620.45
AWT:cg