**TABELL'S MARKET LETTER**

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January 12, 1990

Three weeks ago, when we issued our year-end forecast, we expressed our belief that an important market top was likely to occur during the year 1990. We qualified this, however, by opining that the year would see new highs above the 2791.41 peak which had been registered by the Dow on October 9th.

The latter part of this forecast has already turned out to be technically correct. On the very first day of the new year the Average staged a 50-point rally to another new all-time high at 2810.15. However, the market promptly backed off, and that January 2nd figure remains the only instance of a new market high that has occurred since last October.

We hasten to say that we are not bragging about the so-called correctness of our forecast, and, indeed, we herewith promise not to do so if January 2, 1990, turns out to be the high of a 1990 - 19?? bear market. It is, of course, irrelevant that a new peak, less than 1% above the old one, has been attained. The important question, obviously, is whether further meaningful new highs may occur later on in the young current year.

It is our view that such is likely to be the case. We say this despite the poor market breadth which we spent the entire last issue of this letter detailing. Indeed, the breadth picture is even a bit worse than the one we described last week, for that letter discussed only our daily breadth indicator. Its weekly counterpart which, in recent years, has shown more pronounced upside bias---and which did, in 1988, corroborate the new highs which the daily index failed to confirm---is now showing the same sort of action as the daily figure. It has refused to post a new high since September 1st, producing a 19-week divergence which is easily the longest of the bull market to date.

It needs to be remembered, however, that breadth and momentum indicators, none of which are acting all that well, tend to show a significant lead time on market peaks. There would be nothing historically inconsistent in market action in which the September-October peaks turned out to be the final ones for breadth while the averages continued to rise well into the new year. In addition, of course, it would also be possible, given further market strength, for new breadth peaks to be achieved and present us with the gift of a general market in gear with the popular averages on the upside.

An example drawn from the historical record is the study we published last September which summarized what took place in post-World-War-II bull markets after they had staged their longest rally. The longest advance for the present bull market, we now know, covered 225 trading days, almost a year, between November 16, 1988, and October of last year. We are, at the moment, 65 trading days past the high of that rally. We noted in September that the ultimate peak for past bull markets occurred by amounts ranging from 106 to 705 trading days following the end of the longest upswing. This statistic alone suggests that the current rise might possess a further life span.

While history does provide us with plenty of precedent for a bull market lasting longer than this one has, it also demonstrates that the bulk of any bull market move tends to take place in the early stages. All but three of the post-1949 bull markets had completed three-quarters or more of their total advance by the time their second birthday had been attained. Thus while it is possible to foresee new highs, it remains probable that they will not be all that different from levels already reached.

It must furthermore be remembered that the question of whether the bull market's final peak has been attained may not be all that important. Market analysts, like the generals who are always prepared to fight the last war, tend to worry about action that resembles the last bear market. This is why the Friday-the-13th decline was so scary. It occurred after only a short top formation and was compressed into one day, thus exhibiting an uncomfortable similarity to the 1987 bear market. It must be stressed that this is not the way market tops usually form. The record shows that once an actual peak is attained, the market tends to remain in the vicinity of that peak for an extended period of time. During this time period, hopefully, the assiduous technician can detect the deterioration which leads to a defensive stance.

We are, thus, ready to extend the year-end forecast to call for further upside action. We stress, however, that such action is likely to be not very dynamic and highly selective.

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL INC.

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| Dow Jones Industrials (12:00) | 2716.51 |
| S & P 500 (12:00) | 342.79 |
| Cumulative Index (1/11/90) | 4999.56 |

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