TABELL'S MARKET LETTER

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January 19, 1990

This letter found itself once again blind-sided last week by what we have come to call the Friday-Afternoon Syndrome. In order that the U.S. Post Office manage delivery of our weekly opus before the markets under discussion have become ancient history, it is necessary to have it in the printer's hands by Friday noon. Friday-p.m. stock-market action seems, with distressing frequency, to be at variance with the scenario discussed in the letter.

Such was the case last week, when we chose to reiterate our year-end forecast, suggesting that, while we still expect a market top sometime in 1990, a further push to new highs before that top seemed likely. On Thursday, when we initially prepared that comment, the Dow had been up 10 points and, at 2760, was off only modestly from its all-time January 2 high of 2810. Friday then produced a 71-point decline, which and was followed by further weakness later on in the week, as the average probed for support in the lower 2600's.

We will be commenting on the technical implications of all this below, but we cannot resist first noting what seemed to us a dramatic shift in psychology in last week's financial press. A wave of pessimism appeared to arrive from across the Pacific, as the Tokyo market plunged sharply. It currently finds itself down 5%, hardly a major disaster. (Even more than with our own market, it is necessary to convert the Nikkei Average to percentage terms since it sells around the 36,000 level and, on Friday, posted a 653-point decline.) U.S. stocks tended to open, each morning last week, to the tune of portentous comments regarding the latest Tokyo drop.

There are, actually, two schools of thought as to the effect protracted weakness in Japan might have on U.S. markets. The pessimistic view suggests that what is now the world's largest stock market could, in a protracted collapse, drag the U.S. and other markets down with it in some sort of global cataclysm. The contrary contention is that money coming out of Japan has to go somewhere, and the U.S. might prove to be a convenient haven. It was the former argument, however, that prevailed last week.

The week's largest dose of gloomy financial news, though, was provided by the Chapter 11 filing of Campeau Corporation. There were, on Tuesday, 40 separate stories on the Dow Jones news ticker, and these were followed by thirty more through Friday morning. Although we maintain many statistics, we do not keep score of single-topic stories showing up on the broad tape. We would guess, however, that this was some kind of a record.

It was certainly not without justification. Campeau had managed to spend some $10 billion on the purchase of Federated Department Stores and Allied Stores and, as some legislator is purported to have said, "a billion here, a billion there; pretty soon you're talking about a lot of money." A New York Times editorial had, we thought, the best comment on the situation, noting that it was Mr. Campeau's special genius to find a way to bankrupt more than 250 profitable department stores.

The problem with the Japan and Campeau incidents is their potential to constitute the seed of all sorts of panic scenarios---global financial collapse in the one instance and a spreading round of bankruptcies if Campeau Corp. turns out to be the Krueger & Toll of the 1990's. The problem is that the technical scenario does not seem to be foretelling any sort of economic Armageddon.

The Dow, last week, broke below a short-term top, which has a plausible downside target of 2600. The 2650-2600 level constitutes fairly strong support, having been the post-October platform from which the year-end rally took off. It is the possibility of the market's penetrating that support which must now concern us.

What such a break would imply is that October 1989 - January 1990 constituted a double top and that the high of the bull market which began in late 1987 was scored on the first day of the new year in 1990. This scenario was referred to as a possible but less-than-likely prospect in our year-end forecast. We still regard it with some degree of skepticism. Were it to prove to be the case---and we are not yet ready to act on this assumption---the likely aftermath would be a conventional bear market with a downside objective around 2200, not a pleasant prospect goodness knows, but something considerably short of the end of the world. This is probably worth keeping in mind if the upcoming weeks bring a continuing onslaught of pessimistic financial news.

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Dow Jones Industrials (12:00)	2679.61
S & P 500 (12:00)	340.06
Cumulative Index (1/18/90)	4859.66

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