

# TABELL'S MARKET LETTER

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We herewith warn the reader that our letter, this week, will consist of a discussion of the rather formidable array of numbers below. Those who are turned off by this sort of thing may immediately consign this sheet to the waste basket. Numbers freaks that we are, our own view is that these statistics manage to shed some useful light on the market outlook.

	1989 High	Late 1989 Low	January High	January Low	February High	February Low	3/1
DJ Ind.	2791.41(10/9)	2569.26(10/13)	2810.15(1/2)	2543.24(1/30)	2649.55(2/15)	2564.19(2/23)	2635.59
S&P 500	359.80(10/9)	332.61 (11/6)	359.69(1/2)	322.98(1/30)	334.89(2/15)	324.15(2/23)	332.74
DJ Tran	1532.01 (9/5)	1136.74(12/20)	1201.10(1/2)	1031.83(1/30)	1088.19 (2/9)	1076.64(2/22)	1133.89
DJ Util	219.50(10/10)	211.96(10/13)	236.23(1/2)	216.30(1/25)	223.91 (2/9)	216.86(2/22)	219.13
OTC Ind.	472.4 (10/9)	432.1 (11/6)	455.6 (1/3)	410.7 (1/30)	434.2 (2/15)	424.1 (2/23)	431.8
Breadth	1026.90 (8/8)	1008.85 (11/6)	1015.56(1/3)	996.77(1/30)	1001.04 (2/9)	996.05(2/23)	998.29

As can be seen, the table traces the history of five market averages plus our daily breadth index from late last year though yesterday. The left-hand column serves to suggest that the stock market scene, as of last October, was essentially tranquil. Most major averages were in the area of their all-time highs, and it would have been picayune to point out that breadth had not posted a high since August and that the DJ Transports apparently had peaked in September.

There is the old story of the farmer whacking his mule across the forehead with a 2-by-4, asserting that this was just to get his attention. The October decline---200 points on the Dow---occurring, serendipitously, on Friday the 13th---served admirably to get investors' attention. What followed was, for the market, a process of separating the men from the boys.

For the Dow Jones Industrials and Utilities, the break was a one-day affair with lows being posted on October 13th. Other indicators, as the table shows, went on to new bottoms three weeks later. The Transports, in the course of emerging as the weakest of the bunch, continued to a new low in December, posting a whopping 25% decline.

The year-end rally arrived on schedule, and the first two days of the new year were bright ones, as the averages continued to move ahead. For the Industrials and Utilities, once more, new, all-time highs were involved. The S & P 500, however, marginally failed to better its October peak, and OTC issues, Transports and Breadth fell well short. It was clear, by this stage, that market leadership was becoming sharply narrower.

January was a declining month with the low occurring at month-end. Most of the averages posted new lows, below the bottoms which had occurred in the fall of 1988. Only the Utilities were able to hold well above their prior bottom, although the DJIA also did so on an intra-day basis. In most cases, however, the penetration of October-December lows was decisive.

By this time, there was abundant evidence of market deterioration. Breadth was below its level of November, 1988 when the Dow was under 2100. The Transports, by this time, had shed almost a third of their value, and even the hitherto-strong utilities posted a fairly severe decline. It was necessary to begin seriously to consider the possibility that January had seen a major market high.

A rally in all of the averages took place in early February, followed by a retracement in which most indicators---breadth, significantly, being an exception---held above their January lows. Prices have moved irregularly upward since.

Those January lows and the subsequent, mid-February highs seem to us to be significant points to watch. Ability to penetrate the February peak convincingly, would suggest, for many indicators, a test of the January highs. This is particularly true for the DJIA, which has been showing above-average action for the entire period. It is interesting that the hitherto laggard DJ Transports have already exceeded their mid-February levels. On the other hand, failure of the current advance, followed by new lows below those of January, would buttress the contention that a major downtrend is now in effect.

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Dow Jones Industrials (12:00) 2653.38  
S & P 500 (12:00) 335.53  
Cumulative Index (3/1/90) 4773.88

AWT:ebh