**TABELL'S MARKET LETTER**

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On Monday of this week, the Dow Jones Industrial Average closed at 2700.45, this figure capping a decline which had begun in mid-March and preceding a rally attempt in the latter part of last week. The average was, at that point, on familiar ground. It had passed through the 2700 level for the first time in the current bull market some eight months previous, on, to be precise, August 10, 1989. Had the average closed a few pennies lower on Monday, it would have moved through the 2700 level for the 13th time in those eight months.

All this is by way of saying that, as measured by the popular averages at least, the equity market has been doing nothing for some two-thirds of a year. The high for the period---also the Dow's all-time high---was achieved on 1990's first trading day at 2810.15. The low of the range was 2543.24 attained on January 30, delineating a spread of less than 10 1/2% from low to high. The 2700 level was reasonably close to the central point of that range, the average price for the period being about 2682 and the median price, 2686. On 92 of the 166 trading days in question, the DJIA closed somewhere between 2650 and 2750.

It is perhaps worthwhile to trace the history of those eight months. As noted above, the average's first move through 2700 was on August 10. This followed by two days the bull-market peak for our breadth index, a peak which has not been exceeded since. (More on this subject later.) After a short pull-back, a 56-point rally on August 24 produced a new all-time high at 2734.64, exceeding the peak of August, 1987. For those of us who have forgotten that trading activity in excess of 200 million shares is indeed attainable, it may be noted that the rally took place on 225 million shares of volume.

The advance continued to 2752 on September 1, and after a mild retracement, went on to its first major high on October 9 at 2791.41. We were then once more reminded of the sort of thing today's market structure is capable of producing. Four days later, the Dow had declined some 8%, almost all the drop taking place on the now-famous Friday, October 13.

A subsequent series of fluctuations between 2600 and 2700 in November produced enough of a base to suggest a renewed attack on the summer's high, and the familiar year-end rally was just that. The entire October-January advance was then retraced, the low for that advance being tested at January's bottom. As had been the case in November, a base in the 2540-2650 area, built up in February, suggested another rally attempt. That rally indeed ensued, attaining a 2755 close on March 19. We have since been confined for three weeks in a narrow range between that level and the ubiquitous figure of 2700.

It is, of course, a truism that trading ranges exist ultimately to be broken, and whether this one will be breached on the up- or down-side constitutes the most vexing market question at the present moment. The position of this letter has, since last January, been that investment policy should tilt toward protection against a downside breakout at the cost of not taking full advantage of a possible upside move. This course of action is being suggested by a number of market indicators---most notably breadth---which, as noted above, peaked two days before the current trading range began. At present levels, the averages are well above the midpoint of the eight-month trading area. Our breadth index, by contrast, is close enough to its January bottom that a couple of bad days would take it to new lows.

Volume action has been little better, and the downtrend for a long-term average of NYSE-volume figures, noted in this space three weeks ago, has continued. All of this is taking place during a timeframe when, cycle theory suggests, the bull market should be reaching a relatively mature stage. We should, probably, continually remind ourselves that the present upswing dates from late 1987, a period which lies, at this writing, two-and-a-half years in the past.

It is, of course, possible, given today's relatively high level of market liquidity, that a further attack on previous peaks might be made. The first clue that this might be in the offing would be provided by a move out of the mini-trading-range which has lasted through March and April, a move to some 2760 on the Dow. This would set the stage for yet another test of the October-January highs.

Even were such a test to take place, though, there is little to indicate that a move significantly above previous bull-market highs is in the cards. The evidence of market deterioration mentioned above, plus the presence, for many stocks, of major overhead supply, mitigates against sharply higher new highs. Were large numbers of issues to demonstrate the ability to move through that supply, the probabilities could be altered. We intend to await such a demonstration before recommending changed strategy.

ANTHONY W. TABELL
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| Dow Jones Industrials (12:00) | 2708.78 |
| S & P 500 (12:00) | 339.79 |
| Cumulative Index (4/5/90) | 4852.23 |

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