TABELL'S MARKET LETTER

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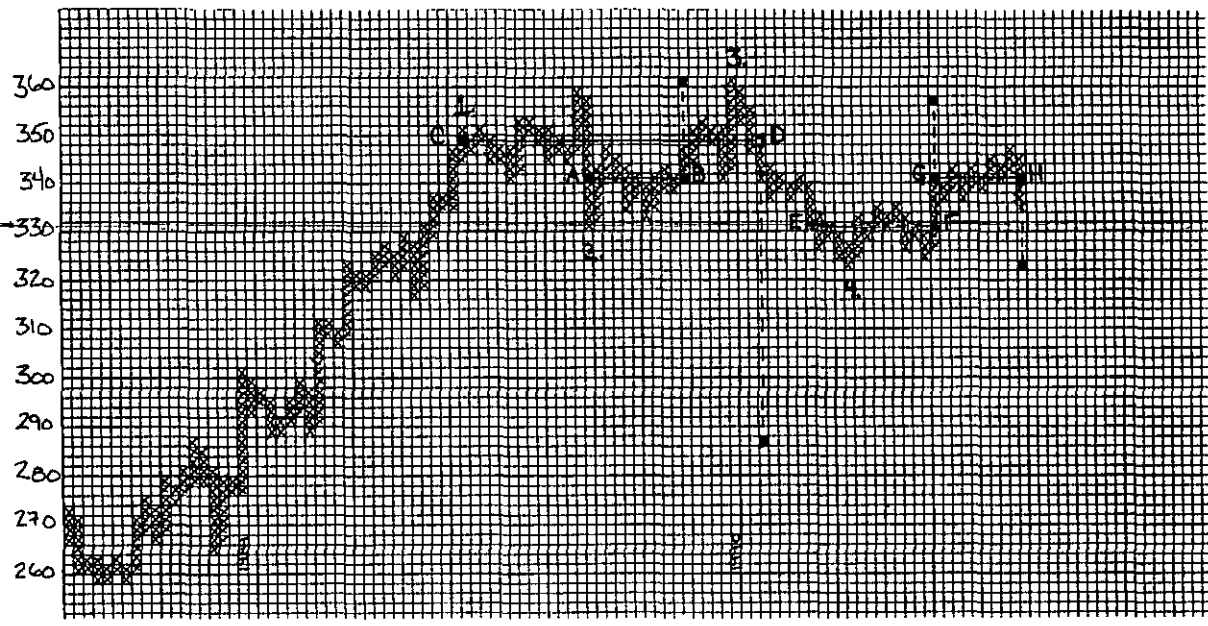
Last week's most significant market event must have been the penetration to a new closing low---2654.50 for the Dow---in Tuesday's trading. This was the lowest level attained by the DJIA in some six weeks, at which time, in early March, the short-term rally to recent highs was underway. Along with the Average's drop, new lows were being posted by both daily and weekly breadth indicators. There was modest recovery in Wednesday's and Thursday's trading, but the basic pattern remains unchanged.

It is, perhaps, appropriate at this time to review that pattern and state our own attitude regarding the market, which remains, as has been the case for some months, not particularly sanguine. We are not, it should be noted, apocalyptic bears. We are aware of the widely advertised prospects for financial crisis implicit in an illiquid junk bond market, failed S & L's, and collapsing real estate prices. It must be emphasized that, presently at least, there is no prospect for financial collapse built into today's technical market structure. On the other hand, the market looks---well, tired.

It looks, in short, like a market which has risen better than 60% over a two-year period and is *now beginning to show increasingly narrow leadership. It looks like a market whose most conspicuous* recent technical feature is a potential double top. It looks like a market, in other words, where caution is probably the best policy.



The above point-and-figure chart of the Standard and Poor's 500 shows, we think, the reason why we are cautious today. Despite the necessary difficutly in identifying particular dates, we still think the point-and-figure format is the best outline of today's market pattern.

Up until Point 1 on the chart, in August of last year, a major uptrend remained in effect, and there appeared to be little or nothing to worry about. At that point, however, breadth peaked, the market began to move laterally, and we had, at Point 2, the rather weird events of October 9 - 13 where a new high was followed by a collapse to new lows. Neither the decline nor the subsequent recovery was, in our view, predictable, but they contributed, nonetheless, to an emerging overall pattern.

The year-end rally just barely attained a new high at Point 3, in the process reaching the upside objective of the base at A-B. There followed the collapse to new lows at 322 in January, shown at Point 4. What we had by that point was a potential top, as shown at C-D, with a downside objective in the mid-280's.

A new base, at E-F, then formed, but the upside target, involving a test of the old high, has, to date at least, not yet been attained. Instead, the index collided with the heavy overhead supply at 340-350 and has now pulled back. Indeed, there seems to exist, with the formation at G-H, the possibility of a test of January's low.

Now, it is not impossible for new strength to emerge, and indeed a potential base in, roughly, the 320-340 area could provide the platform for a new advance. Were such improvement to take place, we would hope to be able to recognize it early enough to take advantage thereof. Until then, however, we continue to advocate a cautious market stance.

ANTHONY W. TABELL
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Dow Jones Industrials (12:00)	2658.55
S & P 500 (12:00)	331.31
Cumulative Index (4/26/90)	4737.17

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