

TABELL'S MARKET LETTER

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Two positive statements can be made about recent market action. They are as follows:

1. ~~The Dow is (or was on June 15, by a margin of 7/10, of a point over June 4) at a new, all-time high.~~

2. The rally that got it to that point---which began on January 30 and whose current phase started on April 27---is probably the strongest and broadest of the last ten months.

These two admissions having been made, the search for further signs of market strength becomes somewhat difficult.

Let us consider the question of breadth, a subject we, certainly not alone among our technical colleagues, have been alluding to monotonously over the past year. The table below shows the high and low points of each discernible swing in the Dow since last August, when our breadth index reached its peak, giving for each date, the closing level for both the Dow and our computation of NYSE breadth.

Date	H I G H S DJIA	Breadth	Date	L O W S DJIA	Breadth
Aug 10 1989	2712.63 **	1000.00	Aug 21 1987	2647.00	996.51
Sep 1 1989	2752.09 **	999.80	Sep 25 1989	2659.19	994.09
Oct 9 1989	2791.41 **	997.43	Oct 13 1989	2569.26	988.89
Oct 20 1989	2689.14	989.73	Nov 6 1989	2582.17	982.07
Dec 13 1989	2761.09	986.57	Dec 20 1989	2687.93	981.37
Jan 2 1990	2810.15 **	988.38	Jan 30 1990	2543.24	969.99
Feb 15 1990	2649.55	973.55	Feb 23 1990	2564.19	969.27
Mar 19 1990	2755.63	974.25	Mar 22 1990	2695.72	971.06
Apr 17 1990	2765.77	970.31	Apr 27 1990	2645.05	963.06
Jun 4 1990	2935.19 **	975.11	Jun 8 1990	2862.38	973.12
Jun 15 1990	2935.89 **	973.53	Jun 20 1990	2895.30	971.43

** - New High for Dow

There are, in the table, eleven rallies, six of which, including the last two, produced new bull-market peaks for the Dow. Scanning down the list for similar highs for breadth shows that, for the most part, the peak for each rally has been lower than the peak for the previous one. The same has been true for lows in breadth, the nadir for this figure having been attained at the end of April.

Now there has been some modest improvement in the first half of 1990. The March breadth peak was indeed better than that of February, and, more importantly, that March peak was exceeded, although only slightly, in June---hardly an astonishing achievement since the Dow by that time was 180 points higher.

Although improvement has been noticeable, breadth action, considered on an absolute basis, continues to be sub-par. Indeed, another mini-divergence has begun with the failure of breadth to confirm the new peak in the averages on June 15. Individual-stock, new-high figures, another indicator of narrow leadership, have been likewise abysmal. Over the last dozen trading days, a period when the averages were straining at the leash on the upside, new highs have been restricted, for the most part, to the 20-30 range, and on four of those days there actually took place more daily lows than highs.

There do, however, remain areas of potential improvement. One is the Transportation Average (1178) which, it is worth reminding ourselves, has shown action wildly different from that of the Industrials. Its peak was achieved back in September at 1532.01. The Friday-the-13th break in October was coincident with the coming apart of the UAL buyout, and, by the end of October, the DJTA was below 1200. (In the process a "gap" was created, the October 13th low of 1425 being 65 points above the high of the following Monday. One of the hoariest of technical chestnuts is the theory that such a gap must be "filled".) In any case, by January's end, the transports had managed to post a closing low of 1031.83, a rather astonishing fall of 32%. Many major bear markets have been of lesser dimension.

After posting that low, the Transports returned to the 1125-1225 range, and there now exists a potential head-and-shoulders base whose upside breakout would be 1230. Were this level to be achieved, a testing of the old high would be the minimum expectation, and the implications for the market would be highly bullish.

The DJ Utilities (209) find themselves showing much more tentative improvement. Since January, reflecting the bond market, this average has fallen sharply (a 14% total drop) with an especially severe downthrust in late April, since largely erased. For this indicator it would be important that the April low (around 201) hold and that continued basing take place in, roughly, the 208-220 area with, one would hope, an ultimate upside breakout. Despite strength in the major averages, the improvement for the broader market, then, can be seen, has not been all that great. It would, thus, be encouraging for such areas as the transports and utilities to demonstrate renewed strength.

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Dow Jones Industrials (12:00) 2909.16
S & P 500 (12:00) 360.94
Cumulative Index (6/21/90) 5135.95
AWT:ebh