

# TABELL'S MARKET LETTER

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We have, in this space over the years, consistently complained about the media's fascination with round numbers. We were thus prepared for an outburst of hype as the Dow "hit" 3000---an extra-special round number, since it ends in three zeros rather than the usual two. The expected fireworks, however, turned out to be a fizzle, as the market, not surprisingly it turns out, indulged in some rather bizarre behavior.

As a preliminary to this discussion, it is necessary to explain the various figures generated by the computation of a market average each day. There is, of course, the close, and there are also available intra-day high and low figures. These statistics, it should be noted, are arrived at by taking the daily highs and lows of each of the average's components and are thus purely theoretical, since those highs and lows never occur at the same time. More recently, with advanced monitoring equipment, tick-by-tick figures for the daily high and low are available, but the historical record for these is lacking.

In any case, the Dow, which had moved ahead some 37 points on July 12, to 2970, extended that rally on Friday morning and, at around 2 p.m., first penetrated the 3000 level. It pulled back sharply at the close, however, to finish at 2980, having, in the process, achieved the first intra-day peak above 3000. Starting Monday morning, a solid upward progression began, and the magic mark was again breached by noon, with a level around 3008 attained at 3 o'clock. A sell-off ensued, however, and a last-minute rally fell short, producing a close of 2999.75, to date, at least, the average's highest closing figure. On Tuesday, the market moved ahead early and the intra-day figure of 3024.26 on that day stands, so far, as the record. There followed a pull-back and another last-minute rally which aborted in the final five minutes, leaving the Dow unchanged from the previous day, one-quarter of a point below 3000. Another approach was made late Thursday and, as this is written, a further flirtation with 3000 is taking place.

It occurred to us, as all of this was going on, that we recalled similar hesitations at round-number levels in the past. Accordingly, we undertook a semi-recreational search of our data bank-to-observe-the-Dow's-behavior-as-it-first-attained-each-even-hundred-level,-starting-in-1946. (It had, of course, been as high as 386 in the 1920's, but we started our investigation post-World War II.) It turned out that a fairly long gap between the average's first attaining such a figure on intra-day basis and finally managing to close there was a not-uncommon occurrence. The following table lists the date of the first intra-day and the first closing high above each even-hundred level to date. In only three cases, in 1946 at 200, 1956 at 500, and 1987 at 2100, did both a high and closing penetration take place on the same day.

| Level | First High  | First Close | Level | First High  | First Close | Level | First High  | First Close |
|-------|-------------|-------------|-------|-------------|-------------|-------|-------------|-------------|
| 200   | JAN 11 1946 | JAN 11 1946 | 1200  | APR 21 1983 | APR 26 1983 | 2200  | JAN 23 1987 | FEB 5 1987  |
| 300   | MAR 5 1954  | MAR 11 1954 | 1300  | JAN 30 1985 | MAY 20 1985 | 2300  | MAR 11 1987 | MAR 20 1987 |
| 400   | DEC 21 1954 | DEC 29 1954 | 1400  | NOV 5 1985  | NOV 6 1985  | 2400  | APR 3 1987  | APR 6 1987  |
| 500   | MAR 12 1956 | MAR 12 1956 | 1500  | DEC 5 1985  | DEC 11 1985 | 2500  | JUL 15 1987 | JUL 17 1987 |
| 600   | JAN 21 1959 | FEB 20 1959 | 1600  | FEB 3 1986  | FEB 6 1986  | 2600  | AUG 6 1987  | AUG 10 1987 |
| 700   | APR 11 1961 | MAY 17 1961 | 1700  | FEB 21 1986 | FEB 27 1986 | 2700  | AUG 7 1989  | AUG 10 1989 |
| 800   | FEB 17 1964 | FEB 28 1964 | 1800  | MAR 18 1986 | MAR 20 1986 | 2800  | OCT 6 1989  | JAN 2 1990  |
| 900   | JAN 19 1965 | JAN 28 1965 | 1900  | JUN 25 1986 | JUL 1 1986  | 2900  | MAY 30 1990 | JUN 1 1990  |
| 1000  | JAN 18 1966 | NOV 14 1972 | 2000  | JAN 7 1987  | JAN 8 1987  | 3000  | JUL 13 1990 | ??????????? |
| 1100  | JAN 12 1983 | FEB 24 1983 | 2100  | JAN 19 1987 | JAN 19 1987 |       |             |             |

The most notable case of such a hesitation, of course, accompanied the Dow's first dalliance with the 1000 level. This event was, at the time, invested with an incredible amount of social significance. There was even a Broadway musical entitled, "How Now, Dow Jones" in which, as we recall, the hero could not wed the heroine until the 1000 level was attained, an event which duly took place in the grand finale. The intra-day figure for the DJIA was above 1000 on both January 18-19 and February 9-10, 1966. On each of these occasions, however, it failed to close above 1000, and the latter occasion proved to be the high of the 1962-1966 bull market. It was not until November 14, 1972 that the index was first able to actually close above the 1000 level, a gap of 6 1/2 years between the intra-day penetration and the closing one. This, of course, is a consummation devoutly not to be wished for in the present case.

There were other notable hesitations. As the table shows, an intra-day peak of 1300 was first attained in January, 1985, and a corresponding closing figure not until May. However, the Dow had been at the 1296 intra-day level as early as November 30, 1983, and the gap between that date and the first 1300-close was a year and a half.

Now we are not sure any of the above has any significance, and we are certainly making no such claim for it here. Markets, however, result from the collective action of participants, and those participants are human beings with a normal fascination for easily remembered round numbers. In this light, the behavior of the market as such numbers have been attained seems moderately interesting.

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Dow Jones Industrials (12:00) 2999.01  
S & P 500 (12:00) 365.60  
Cumulative Index (07/19/90) 5164.53  
AWT:ebh

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