

TABELL'S MARKET LETTER

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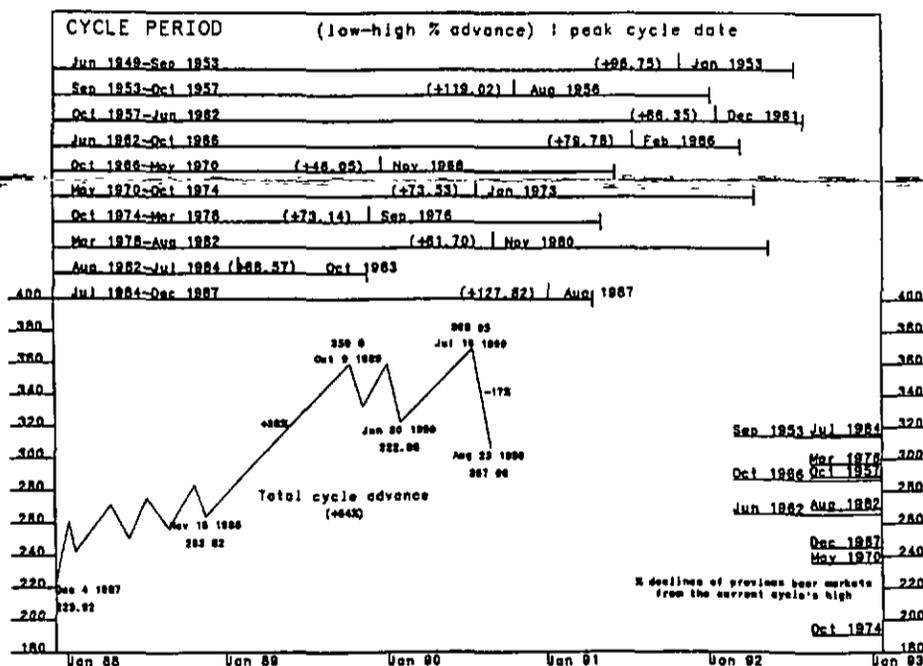
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It is called a bear market, and bear markets can take time to complete and can continue to go lower, neither of which option is enjoyable. The decline since July 17, which ended with a climax-type oversold sell-off on August 23, posted a low to date of 2483.42 in the Dow Jones Industrial Average, and this low is now in the process of being tested. With a triple-witching hour facing us today, the likelihood is that this could be happening sooner rather than later.

It has been almost three years since the major market bottom of October-December, 1987. Since then, the market has advanced 72.52% to a high in July, 1990 of 2999.75 before correcting 17.21% in August. What appears to be happening is the correction of a normal bull-market cycle. It should be helpful to examine the current position of the stock market in the context of cycle theory. The chart below shows an updated version of the present position of the current major-market cycle, which we believe began on December 4, 1987 at 223.92 on the Standard & Poor's 500, reaching a high of 368.95 (+64.77%) on July 16, 1990 and correcting to 307.06 (-16.77%) on August 23, 1990.

The history and shape of the previous cycles are shown by the horizontal lines at the top of the chart. The lines are drawn to the same horizontal timescale as the chart itself, and each cycle is measured from low to low. The high for each cycle is shown by a hash mark along with its date and the total percentage advance.



The average length of these cycles, measured from low to low, has been approximately 46 months and appears to be shortening. The present cycle from December, 1987 to date is now 33 months old. There have been instances of cycles in the 50-55 month range. Proponents of the "four-year cycle" have been tested in recent years. Since we are measuring a cycle from low to low, it has been difficult to identify recent cycles, not in terms of historical percentage advance or decline, but in terms of approximate four-year identifiable periods of duration. Our apologies to these purists, but in order for us to properly measure recent market history, we would argue it necessary to fit the past two completed cycles into the compressed period of five years, four months as shown in the chart above (August 1982-July 1984 and July 1984-December 1987).

The present action of the stock market is totally consistent with the normal lifespan of previous cycle-bull markets, both in terms of extent and duration. The immediate question facing us is, "Will a test of the August 23 low turn out to be the ultimate low of the current cycle?"

ROBERT J. SIMPKINS, JR.
DELAFIELD, HARVEY, TABELL INC.

Dow Jones Industrials (12:00) 2522.28
S & P 500 (12:00) 311.35
Cumulative Index (9/20/90) 4509.90
RJS:ebh