TABELL'S MARKET LETTER

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There is an old joke about a husband who informed a friend that he made the big decisions in his family, while his wife made the little ones. Pressed for clarification, he explained, "I decide whether we should invade Iraq and what to do about the budget deficit. She decides where we will live, what kind of car we will own, and where to send the kids to school."

The fable is applicable to today's stock market. When one looks at the big picture---at the overriding issues of the day headlined in each morning's newspaper---it is quite easy, for reasons we will expand on below, to become both angry and frustrated. It is, likewise, easy to translate that anger and frustration into a bearish attitude toward the stock market. When one takes a more parochial view and, as does the market technician, looks only at the market itself, it becomes difficult to visualize Armageddon as being immediately at hand.

Our own view of the market, a view based solely on technical factors, is well-known to our readers. We think we are in a bear market. (Indeed, we can say that, by definition, we definitely were in one on October 11, when the Dow closed 20% below its July high.) Such a phenomenon, however, should hardly be regarded as a major disaster. Indeed, bear markets transpire, with a fair degree of regularity, approximately every four years. (This timetable has been slightly out of kilter lately, but that is another story.) Our ongoing lack of optimism is due, as readers know, to the total failure of most technical indicators , in the course of the 8 1/2% rally off the October 11 lows, to provide us with anything resembling the kinds of signals that we would expect to accompany a major turning point. Accordingly, we think it prudent to retain the expectation that the October low will be penetrated and modestly lower levels will be attained. The point is, though, that there exists nothing in the present scenario suggesting anything worse than a run-of-the-mill cycle bear market---one which, if, as we believe, it has not already seen its lows, is not today too far from them. This technical view contrasts with the opinion of a great many pundits, who, inspecting the bigger picture, find in it portents of the end of Western Civilization.

There can be little doubt that there exists, in the mind of the American public, some degree of malaise. One of the more interesting announcements of the week was the release of the University of Michigan Consumer Sentiment Index for October, which managed to post the biggest three-month decline in the 44-year history of the indicator. Seventy-one percent of all respondents polled in the survey thought bad economic times were ahead. It is worth noting, however, that lows in consumer confidence generally tend to be more or less coincident with lows in the stock market. (It should also be noted, to be fair, that there is no evidence that the lows for the Sentiment Index have yet been seen.)

There is ample reason for the consumer to feel the way he does. We have moved, in 1990, from euphoria over the end of the cold war and debate on how to spend the peace dividend, to a possible hot war with an enemy we did not know we had. We have been regaled with stories about the ever-expanding magnitude of the Savings and Loan crisis, which, for all the concomitant chicanery, was, at heart, a real estate problem. Indeed, the most fundamental factor behind the consumer's pessimism could well be the realization that his home, the typical consumer's most important asset, is now likely worth considerably less than it was a year or so ago.

While all this is going on, we are assured, by conservatives and liberals alike, of the wickedness of the ongoing budget deficit, and, as a result, are privileged to witness the sort of charade that accompanied passage of the recent tax law. With great good sense, the consumer continues to demonstrate that the portion of the deficit about which he is most concerned is his rising tax bill, an expression of opinion we in the state of New Jersey were, two weeks ago, particularly privileged to witness.

There is, under these conditions, little reason to be surprised that pessimism still exists among market forecasters and, as evidenced by institutional cash levels, money managers. The point is, however, that technical factors, while not arguing for immediately higher prices, do not seem to suggest the sorts of economic disaster apparently expected by the more extreme prophets of doom and gloom. Indeed, the current deterioration of sentiment looks very much, to the market historian, as the sort of thing that tends to take place around bear market lows.

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Dow Jones Industrials (12:00)	2549.50
S & P 500 (12:00)	315.70
Cumulative Index (11/21/90)	4338.76

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