TABELL'S MARKET LETTER

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We are not impressed.

We would dearly love to find, in the stock market's current behavior, some evidence that it had, in October, taken a meaningful turn to the upside. Instead the "peace rally", which brought most averages to new post-October highs in late-Wednesday and early-Thursday trading, fizzled out after yesterdays first half-hour. The whole affair gave one the impression of a market that might have been being manipulated by Saddam Hussein.

It seems to us obligatory, after almost two months, to either fish or cut bait as regards the question of whether October 11, 1990, with the Dow at 2365.10, was a major cycle low. A meaningful bear-market rally is, as we have noted in the past, largely a mythical beast. The current move, a 10.4% advance for the Dow covering 38 trading days, is about as long and extensive as these things get. We may find ourselves dragged to the optimistic side by future evidence of an important turn having occurred in October, but we are not convinced by the evidence shown to date.

Assessment of the market's current mood reveals, it seems to us, a nagging fear that a bull market may somehow sneak up on us. This fear runs counter to past experience, which suggests that bull markets do not arrive quietly, but announce themselves, early in the game, with rolls of drums and blares of trumpets. It may, in this connection, be constructive to examine the arrival of the last three major upswings---in 1982, 1984, and 1987.

Following the August 12, 1982 low, three days of moderate firmness produced an advance of 4.9% on August 17. This is equivalent, at today's level, to an approximately-127-point rise for the DJIA. There were, on that day, 1564 advancing issues, and the 92 million shares of volume, approximately twice previous normal levels, were followed by 132 million shares changing hands on August 18. Some 96% of the 17th's volume was on the upside and, despite the fact that the market had been going down all year, 108 new highs for the year were achieved, followed by 208 on the 18th and tallies in excess of 200 for four straight days the following week. New lows became non-existent, this figure dropping under ten and remaining there for five months following August 23.

Some two years later, in July and August 1984, what has variously been described as a premature bear market and a major intermediate-term decline, came to an end. The low took place on July 24, at 1086.57 for the Dow. The first major rally, on August 2, saw a 2.8% rise for the average (72 points in today's terms) and 1490 advancing issues. Volume, which had, through July, regularly been under the 100-million-share level, reached 236 million shares the following day, 88% of it on the upside. By August 3, daily new highs had reached over 100 and total daily new lows remained under 20 from August through December.

We all, of course, remember October 19, 1987 since it was, of course, the largest one-day decline in stock market history. We tend to remember October 21, 1987 (the largest advance in 54 years) less clearly. The Dow, on that day, rose 186 points or 10.2%. An astounding 1756 issues advanced, and there were 1611 advances a week or so later. Volume on the day of the rally, while under the record setting levels of the two prior days, was almost 450 million shares, a figure that has not been equaled since, and 94% of it was on the upside. Due to the extended steepness and breadth of the decline, new-high-low figures did not improve, in this case, until well into 1988.

Contrast these markets' fireworks with what October and November 1990 have been able to bring forth so far. The largest percentage change posted since October 11 has been 2.78% achieved by the 51-point rise on November 12. That was also the best day for breadth, so far, with 1163 advancing issues, and there have been, since October, only eight instances of advancing stocks reaching double digits. There were just 1087 advancing issues (with almost 500 declines) this Wednesday.

Volume has indeed improved somewhat, of late, having attained 205 million shares on Wednesday and increased to 256 million shares on Thursday. This constitutes about a 50% increase over the roughly 160 million shares that daily volume has been running. At no time during the two months following October 11 have we seen upside volume running in excess of 81% of the total. Until Thursday there had been only one day since October when daily new highs exceeded new lows, and even yesterday there were 33 new lows. These mediocre numbers are simply not the sort of thing that normally characterizes turning points.

Now there has, of course, been the rare case of a bull market arriving stealthily and unannounced, the most recent example having occurred in February-March 1978. That advance, however, was unusual in a number of ways, in that, in the first two years of its life, it, managed, at best, to move a bare 22% off its low and had returned to within a couple of percentage points of that low in March, 1980.

None of this is to say that market action has not improved somewhat. The point-and-figure charts are producing upside breakouts, but one is forced to question these breakouts in light of the fact that, at the week's high level, most indices were encountering heavy overhead supply. This supply will, of course, eventually be penetrated. Our question is whether this prospect is a likelihood for the near future.

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Dow Jones Industrials (12:00)	2589.36
S & P 500 (12:00)	328.25
Cumulative Index (12/06/90)	4537.17

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