

TABELL'S MARKET LETTER

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We discussed, in our previous two issues, the significance of the 100-point rally which occurred a fortnight ago, pointing out that seven of the eight last bear-market bottoms had been characterized by similar rallies. Wednesday and Thursday's followthrough, with the Dow up another 74 points, reinforces the original message and suggests, that, though the market is obviously overbought for the short-term, the path of least resistance is upward.

Problems exist, however, when one tries to gauge the extent of any potential upmove. This can be documented by inspection of individual technical patterns for any representative set of investment-grade stocks. In the table below, we present some technical statistics on one such representative set, the 30 components of the Dow Jones Industrial Average.

Stock	Price	Breakout	Supply	Objective	Potential Gain
Allied-Signal Corp	29		34-36	33-40	13.8%-37.9%
Aluminum Co of Amer	65		64-70	66	0.0%-7.7%
American Express	22	24	30-37	33	4.5%-68.2%
American Tel & Tel	32		40-44	34	6.3%-37.5%
Bethlehem Steel Corp	14		17-18	15	7.1%-28.6%
Boeing Co	48	50	55-60	53-72	2.1%-50.0%
Chevron Corp	70		76-78	82	8.6%-17.1%
Coca Cola Co	48		-	60-66	25.0%-37.5%
Du Pont De Nemours	37	39	38-41	50	2.7%-35.1%
Eastman Kodak Co	42	44	46-50	70	2.4%-66.7%
Exxon Corp	52		-	66	26.9%
General Electric Co	63		66-70	80	4.8%-27.0%
General Motors Corp	35		36-40	39	2.9%-11.4%
Goodyear Tire & Rubber	20		-	25	25.0%
I B M	127	135	150-165	260	5.5%-104.7%
International Paper	60		-	61	1.7%
Mcdonalds Corp	28	31	30-34	46	7.1%-64.3%
Merck & Co Inc	91		-	100	9.9%
Minnesota Mining Mfg	84		-	98-150	16.7%-78.6%
Navistar Int'l	3		4-4 1/2	3 1/2	16.7%-50.0%
Philip Morris Cos	56		-	60	7.1%
Primerica Corp	26		27-29	25	0.0%-3.8%
Procter & Gamble	77		82-86	100	6.5%-29.9%
Sears Roebuck Co	29		34-37	38	17.2%-31.0%
Texaco Inc	58	62	60-65	73	3.4%-25.9%
U S X Corp	29		31-34	-	6.9%-17.2%
Union Carbide Corp	19	20	21-23	21	0.0%-52.6%
United Technologies	48	50	54-60	68	2.1%-41.7%
Westinghouse Elect	28	30	33-38	-	3.6%-17.9%
Woolworth Corporation	31		30-34	34	0.0%-9.7%

The first problem is that while almost all the Dow components have formed some sort of base since last fall, 10 of the 30 have not yet broken out of these bases. The point at which these ten would post upside breakouts is shown in the second column above. Those stocks with no figure shown have already broken out on the upside.

There exist two technical factors which, given current market conditions, are relevant to the assessment of a stock's intermediate-term potential. The first of these is overhead supply. Such supply, from 1989-90 tops, exists in all but six of the issues, and its level is shown in the third column. In some cases the supply is massive. In others, it is relatively small.

The second factor is the extent to which a base has formed. In a few cases, there now exists a sufficiently wide base to suggest that the supply may be penetrated. In many, the upside targets and the supply coincide.

The final column attempts to assess the potential percentage gain for each stock, using first conservative, and then optimistic, interpretations. Under the conservative interpretation, it is assumed that breakouts will not occur and the lowest figure for the supply or the upside objective will be attained. The bullish projection assumes breakouts by all issues and uses the widest possible objective.

It is possible, using the figures shown, to project upside targets for the Dow. Using the less optimistic scenario yields a possible target of 2,955. The more optimistic one yields an upside potential a good deal higher---as much as 3,700. Experience, however, shows such longer-term projections should be discounted by about 10%, which would produce a target in the 3,300's. Analysis of upside momentum as the advance continues should give some idea of the ultimate projection.

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Dow Jones Industrials (12:00) 2728.46
S & P 500 (12:00) 341.36
Cumulative Index (1/31/91) 4968.26

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