TABELL'S MARKET LETTER

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The subject of this week's letter is foreordained. It is our business to comment on financial numbers, and on Wednesday, as the entire world is now aware, the granddaddy of such numbers, the Dow Jones Industrial Average, finally posted a close above 3000.

The press recounted the entire saga in tender loving detail. There were, first, those six days in mid-July last year when the average's intra-day peak probed above the 3000 level, but it was able to do no better than close at 2999.75, accomplishing this on two consecutive days, July 16 and 17, from which level the 1990 downswing began. By February 13, 1991 the S & P 500 and a number of other averages had recovered to above their mid-1990 peaks. By mid-March, they were well above those levels, but the best the Dow could do was put on another couple of intra-day figures above 3000, never managing to close above 2973. Finally, on Tuesday, that figure was exceeded, followed by the attainment of the "magic" level the next day.

There are a number of aspects of the event that are worth comment. The first is that it is all, of course, absolutely irrational. The accidental attainment of a number ending in three zeros by an average whose construction has been widely subject to criticism is, of course, of no intrinsic importance whatsoever. It made headlines, though, because the market, thank goodness, is made up of people, and people are, again thank goodness, often less than totally rational. It is the collective action of individuals in the marketplace that constitutes the technician's field of study. If those individuals tend to become obsessed with a particular number, as they obviously have been since last July, so be it.

The hoopla underscores another point that we have often made, the fact that the "unscientific" DJIA is unfairly criticized. It remains the primary piece of shorthand which those of us concerned with equity markets can use to communicate to each other a summary of those markets' action. The simple fact is that everyone knows that the Dow has been flirting with 3000 for almost a year. We are willing to venture that few know the S & P Composite is within a couple of percentage points of the round figure of 400, and we would also guess that it will not be front-page news when it attains that figure.

The Dow's nine-month dalliance with 3000 pales by comparison with the first time that indicator reached the four-digit level. The 1000 level, it may be remembered, exercised some sort of fatal attraction for the market for something over 17 years. On October 19, 1965, the average first managed an intra-day peak within 5% of the 1000 level. Four months later, it actually attained that goal on an intra-day basis, reaching 1001.11 on February 9, 1966 (much like the attainment of 3000 in July, 1990). The peak close, however, was 995.15, marking the high of the 1962-66 bull market. By October, 1966, the Dow was in the low 700's, and it was two more years, Fall 1968, before 1000 was again approached. An approach was the best it could do, since the 1968-70 bear market intervened. A recovery toward 1000 in April, 1971 was turned back, followed by a couple of more attempts in the spring and summer of 1972. It was finally in November, 1972, six years and five months after the first attainment of 1000 intra-day, that the Dow managed to close there.

The epic, however, was by no means over. The general vicinity of 1000 was to remain an effective ceiling for the next ten years. The 1970-73 bull market topped out at 1051.70, and the 1974-76 upswing peaked at 1014.79. The April, 1981 peak was 1024.05, and it was not until January, 1983, on the way to 1287 the following November, that the index bid good-bye to the general area of 1000 for the last time.

Recalling that whole episode reminds us that, although its behavior may have been quite similar, the Dow was quite different back in that era. Eight stocks (American Brands, Anaconda, Chrysler, Esmark, General Foods, Manville Corp., and Owens Illnois) are no longer in the index, having been replaced by American Express, Boeing, Coca-Cola, IBM, McDonalds, Merck, Minnesota Mining, and Philip Morris. When 1000 was first touched in February, 1966, the heaviest weighted portion of the average, at 16.67%, was steel and metals, an area whose weight is now 7.85%. Chemicals accounted for 15% of the Dow in 1956 and now account for 6%. The weight of the auto industry, almost 10 percent in 1966, has been cut in half. There was, a quarter of a century ago, no representation of the computer and healthcare industries in the average, whereas IBM and Merck are now its two largest components. Despite a totally changed market environment, though, the public's fascination with round numbers persists.

The question at the moment, is whether the "pull" of a round number will hold the index in the 3000 vicinity over the next decade as was the case in the 1970's. Luckily, 2000 revealed no such attraction, as the average crashed through it on the way to its 1987 high and had left it permanently behind by late 1988. How soon we will be able to devote this space to a discussion of the 4000 level remains an unanswered question.

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Dow Jones Industrials (12:00)	2979.70
S & P 500 (12:00)	386.36
Cumulative Index (4/17/91)	6161.32

AWT:jb