

TABELL'S MARKET LETTER

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The second penetration of the 3000 level by the Dow Jones Industrial Average proved a bit more successful than the first. The prior peak had involved just a single day's close, at 3004.46 on April 17. A drop of a bit under 5%, to 2865.38 on May 15, ensued, but, beginning last Thursday, no fewer than five consecutive closes above the benchmark level took place. For the record, the Dow's closing high to date for whatever upward process we currently find ourselves in was attained this Monday at 3035.33.

It cannot, unfortunately, be said that the Dow's feat was fully reflected by the rest of the market. Probably the most important positive note was provided by our daily and weekly breadth indices, both of which moved to post-October 1990 peaks. The daily index managed to do so by just three one-hundredths of a point, but it did, indeed, confirm the high. The weekly index, which, in recent years, has generally performed better on the upside, moved to a decisive new peak.

Average	Aug 87 High	Oct 89 High	Jul 90 High	% Change 1989-1990	April 91 High	Recent High	% Change 1987-Date	% Change 1989/90-Date	% Change Apr-Date
Dow-Jones Industrials	2722.42	2791.41	2999.75	6.95	3000.46	3035.33	11.49	1.19	1.03
Dow-Jones Transports	1101.16	1518.49	1298.76	-25.62	1178.87	1251.76	13.68	-17.57	6.26
Dow-Jones Utilities	227.83	236.23	212.09	-11.39	220.89	212.27	-3.05	-6.49	-3.90
S&P Industrials	393.17	410.49	449.82	8.74	463.12	464.98	18.26	3.37	0.40
S&P 500	336.77	359.80	368.95	2.48	390.45	389.83	15.94	5.83	-0.16
S&P Financial	32.56	35.24	29.20	-20.60	31.69	31.40	-2.67	-10.07	-0.92
ASE Index	365.81	397.03	365.58	-8.60	373.40	372.27	2.30	-5.95	-0.30
OTC Industrials	484.50	472.40	510.60	7.48	675.70	567.80	18.82	12.75	-1.37
Value Line	289.02	278.98	250.56	-11.34	246.89	246.70	-14.58	-11.50	-0.08
Wilshire 5000	3299.44	3623.47	3518.32	-3.15	3731.48	3719.30	13.89	5.90	-0.33
Daily Breadth Index	----	1003.22	989.94	-1.32	982.37	982.40	----	-2.09	0.01

^a January, 1987 ^{**} January, 1990 [†] June, 1990

The table above appeared in this space two months ago, on April 5, and we have updated it here, adding, in the process, a few columns, and recording the actual April highs which, for all the indices shown, were posted after that letter was written. The final column, showing each average's percentage change from its April high to its high of this week, is the first item of interest. The Dow's achievement of a new peak by 1% was hardly earth-shaking, and the similar accomplishment by the S & P Industrials even less so. Of all the indicators listed, only the Dow Jones Transports were to achieve a truly decisive new peak. All the other indicators failed to join the Dow in new high ground.

This is of some interest, since it constitutes a 180-degree reversal of what had been going on since last January. During that time, the broader based Standard & Poor's indices were decisively outperforming the DJIA, and the S & P averages were, in turn, being outperformed by measures of secondary issues, such as the ASE Index and the OTC Industrials. By contrast, in this week's action, the Dow posted new highs unaccompanied by the other averages. It would not take a great deal to cause these others to confirm on the upside, but the failure to do so would be distinctly less than bullish.

Another indicator of market diversity is the extent to which many averages find themselves below their highs of 1989 or 1990. The current upswing has failed to produce new all-time peaks for the Transports, Utilities, Financials, and the Amex. Indeed the Value Line and the interest-sensitive Financials and Utilities are still below their highs of 1987.

All this raises some interesting questions regarding the nature of the current cyclical process. Is the current upswing a new bull market following a three-month bear market in August-October of last year, or is it the extension of a bull market which began in October-December 1987 and began to peak, in certain areas at least, as early as October 1989? The answer to this question is of overriding importance for the longer term picture which is why we have refrained from being dogmatic about long-range term prospects. We have preferred to note, as we have been doing since January, the continued indications of short-to-intermediate-term strength. Those indications were reinforced by the action of the Dow and of breadth last week.

ANTHONY W. TABELL
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Dow Jones Industrials (12:00) 2969.81
S & P 500 (12:00) 379.36
Cumulative Index (6/6/91) 6210.77
AWT:jb