TABELL'S MARKET LETTER

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We write this piece on the final trading day of June 1991, and, thus, half of another stock-market year has been completed. The general impression among investors seems to be that the August-like heat which characterized June failed to produce a fever in equity markets. It is interesting to try to account for this feeling, since 1991, so far, has not been all that bad. From its 1990 close of 2633.66, the Dow, last night, was up 11.44%.

It is possible that investors have been spoiled by post-1982 stock markets. In the eight years since 1983, the market has been up in the first half of seven of them, the only exception being 1984. In three of those seven, it rose by more than the 11% of 1991. By earlier standards, though, this year looks pretty good. There were better first halves in 1975 and 1976, but, prior to that, it is necessary to go all the way back to 1954 to find a better initial six months. From 1926 to 1974, 49 years, there were only four first-half advances better than that of 1991.

One reason that the current rise may seem less than earth-shaking may be the fact that so much of it was crammed into the early part of the year. Although the first eight trading days of January saw an almost-200-point collapse before the Gulf War turned the market around, the spectacular rally over the next 27 trading days brought the average to 2934.65 on February 15, a level almost identical to today's. The market therefore, in one sense, has been stagnant for the past 4 1/2 months. True, there have been a series of probes to new highs for the Dow Jones Industrial Average---to 2973 in March, 3004 in April, and 3035 early this month. The overall trend, however, has been flat.

That flat trend, though, has featured some fairly obvious shifts in leadership. It was less than three months ago that financial pundits were hailing the renaissance of the small stock. Between January and April, the NASDAQ Industrial Average rose an astounding 48%. Since then, however, it has declined 9% through Wednesday, approximately twice as much as the Dow. Since April, the Value Line Index, The Wilshire 5000, and most importantly, the Standard & Poor Industrials and Composite indicators have been showing worse action than that of the DJIA. The carnage in certain areas of the high-tech sector has been truly horrifying.

It is not only this recent leadership, but also much older leadership which has shown signs of fatigue. For the first time in 1991, many of the consumer-goods sectors, such as health care, foods, and beverages, have exhibited signs of deteriorating relative strength. Indeed, in many of the component stocks, definable top formations are evident. It is true that these tops do not, so far, indicate more than minor downtrends, but they have formed at levels where such issues seem more fully priced than they have been in a number of years.

To all of the above, there can be added the assorted nosedives produced by lower second-quarter expectations. Under the circumstances, it is certainly pardonable for the investor to regard the first half of 1991 with a certain sense of malaise.

There exists, also, a sense of ongoing deterioration, largely in terms of market breadth. Along with many technicians, we use a ten-day total of advancing minus declining issues as a short-term oscillator. Such an oscillator often reveals not only short-term oversold and overbought conditions, but also gives an occasional clue as to intermediate-term momentum. Thus, at its March low, this total was at -1675. At the April low, it bottomed at -1967 and the recent bottom was -2904. It must still be noted, though, that the latter level is still typical of an ongoing bull market. For comparison's sake, as the 1990 downswing got underway last fall, readings of well below -5000 were achieved. Also, as we have noted in this space, cumulative breadth indicators, on both a daily and weekly basis, confirmed new highs for the Dow early this month.

Despite this loss of momentum, the essential market picture remains, it seems to us, unchanged. The major averages have been confined in relatively flat trading ranges since April, and, until downside breakouts from these ranges take place, we would not consider technical deterioration strong enough to take action. These breakout levels, as we have noted, would be 2840 for the Dow and 365 for the S & P 500. Such breakouts, were they to occur, would be disturbing, but they not so far from current levels that there appears any need to anticipate them.

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Dow Jones Industrials (12:00)	2905.64
S & P 500 (12:00)	370.55
Cumulative Index (6039.09)	

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