TABELL'S MARKET LETTER

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Change is an inevitable rule in financial markets. We were reminded of this fact recently when it was announced that the New York Stock Exchange would open for business a half hour earlier at 9:00 A.M. Such extensions are not common occurrences. The opening was moved back to 9:30 A.M. from 10:00 A.M. in 1985, and the close extended from 3:30 P.M. to 4:00 P.M. in 1974. The 10:00-3:30 trading day had been first instituted in 1952. This replaced the pattern of a 10:00 A.M. - 3:00 P.M. session on weekdays plus a two-hour Saturday session, trading hours which dated all the way back to 1873.

As good a way as any to remind oneself of the evolution in financial markets is to page through the Wall Street Journal and visualize just how many of the tables printed there would have been totally absent --- or at least radically different --- not so many years ago. The first major set of statistics that one comes to in this exercise is the three-page listing of NYSE transactions. The table contains such niceties as bold-face type for issues with a large change in price and underlines for those with notable increases in volume. It is well to recall that these are of quite recent introduction along with such handy features as the ticker symbol, dividend, yield, and price-earnings ratio for each stock. Adding these items meant detection of the opening price, a the tradeoff many technicians are less than ecstatic about. Something over 2,000 issues are shown to have traded in recent sessions as compared to, for example, the 800 that might have been shown in, say, 1950. This relatively small increase, though, masks the huge rise in total shares listed since that time. The total market value of all NYSE-listed issues now exceeds some $3,000 trillion, a figure almost 100 times as great as at the end of World War II.

The next WSJ table also occupies close to three pages and lists similar information for the NASDAQ National Market System. This similarity is a fairly recent innovation. Prior to its advent only bid and asked prices for OTC securities had been shown. The fact that the OTC market has become the most important home for secondary securities is emphasized by the fact that the price table for the American Stock Exchange is the least changed for all the major listings, occupying just one page and showing under 800 issues traded, a level lower than that of the 1960's.

It is, of course, the emergence of derivative products which has brought about the greatest proliferation of new market statistics. The page full of options quotations is the oldest entry in this category, and it is surprising to recall that these instruments have now been around for some 18 years.

It was not that long ago that commodity exchanges were rather dusty, out-of-the way enclaves, trading in such items as wheat, corn, and cotton. These classic commodities remain, but have been augmented by such exotica as precious metals and assorted petroleum products. It is, however, stock-index futures, unheard of a decade ago, which have had the most profound recent impact on securities trading. It is common for the total market value represented by the S & P 500 futures contract, on a given day, to exceed by a substantial amount the market value of actual stocks traded on the exchanges. An even greater volume is regularly turned in by interest rate futures, notably those in Treasury Bonds. Indeed the subject of bonds suggests a whole new area of recent changes. The listing in the WSJ of a bond-market data bank, together with assorted tables on interest rate statistics, represents a relatively new development, reflecting the more recent view of bonds as trading instruments rather than assets to be held until maturity.

There exists today, moreover, a bevy of financial instruments representing monstrous sums of money which trade without the benefit of any listing in the Wall Street Journal. One thinks, for example, of interest-rate swaps, a delightfully arcane instrument that few understand. Swaps, in turn, have managed to sire --- we kid thee not --- swaptions.

We think the sort of evolution discussed above is a subject worth examining. It can be examined from a number of aspects. Parochially, the information explosion represents a challenge to the technician. We have come a long way from the years where it was possible to post a few hundred charts by hand and run a few numbers through a desk calculator in order to follow most of the U.S. financial market. Luckily, the same device that is largely responsible for the information explosion is available for its analysis. That device is, of course, the computer.

The investor also finds himself faced with a growing multiplicity of choices. Not only have available domestic investment instruments multiplied, but the growing internationalization of markets has provided a whole new range of opportunities. It is, of course, in response to such internationalization that trading hours are being increased and will, it is widely agreed, continue to increase, moving toward eventual 24-hour trading.

Ultimately, of course, it becomes necessary to make value judgments about all this. Many of the new developments are, inarguably, desirable. Others are inevitable. The utility of some, we firmly believe however, can be questioned. All of this, as noted above, is worth pondering, and we hope to do so from time to time in this space.

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Dow Jones Industrials (12:00)	2952.59
S & P 500 (12:00)	376.32
Cumulative Index (7/11/91)	6087.40