TABELL'S MARKET LETTER

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We depart, tomorrow, on a four-week vacation where we will be just about as far removed as possible from the stock market---in the Arctic Ocean, cruising the Northwest passage. We will, in all likelihood, therefore, not be present for the stock market's ultimate resolution of its trend dilemma, the breakout from the slightly upward biased trading range in which it has been locked since February.

The length of time that the market has remained in that range argues, it seems to us, in favor of its penetration while we are away, and our colleagues, Bob Simpkins and Ken Tower, will be commenting on it. It is to be hoped that the 3000 level of the Dow does not wind up having the same magnetic attraction for stock prices that the 1000 level did. The average, it will be recalled, repeatedly crossed back and forth through that figure at various intervals for something over 17 years, between October, 1965 and January, 1983.

In the present instance, the 3000 level has likewise been crossed a number of times. The Dow's first attainment of that figure was on April 17, with a 3004.46 close. (An intra-day peak above 3000 had been reached nine months earlier in July, 1990.) It once again retreated and moved, on June 3, to what is so far its all-time closing high of 3034.33. Another drop took it below 3000 in mid-July. The last couple of weeks, until yesterday at least, have generally seen closes above that level. To date, however, the June high remains inviolate.

The same is not true of some of the other widely followed market indicators. The S & P 500, for example, attained what had been its all-time closing peak when the Dow first reached 3000 back in April. It failed to reach new high territory in early June, thus lagging the DJIA, but it has since moved ahead of the older index posting a new peak close on August 6.

Meanwhile, we witnessed, this week, a sort of mini-Renaissance in small stocks, the OTC Industrials attaining new closing peaks on Tuesday and Wednesday. Not all stocks are participating, though. The Value Line geometric average remains below its peak of April, which is, in turn, lower than its October 1989 high, which, additionally, is well below the average's all-time peak, achieved back in August, 1987.

As we said above, we think the odds favor the trading range's being penetrated in our absence simply because such narrow, flat trends do not tend to last all that long, and this instance is turning out to be one of the longer ones on record. The key question, obviously, centers around the direction of the penetration. We have searched hard in recent market action for some early clue as to what that direction might be and we have, we honestly admit, been unable to find decisive evidence for either the bullish or the bearish view. We pointed out in this space last week that the current level at which stocks are being valued can be used in support of the bearish argument. That argument becomes even more cogent when one examines the levels of those issues which have become the "glamour stocks" of the 1990's. These are companies with impeccable growth records and inarguable management excellence. We need to remind ourselves, though, of the hard lesson learned in the early 1970's, when it became evident that even good companies can become overpriced. The difficulty with valuation arguments, moreover, is that they are, necessarily, imprecise. It seems obvious that the market is fully valued at 3000 on the Dow, but it is certainly possible, even given this valuation, to go on to 3100 or 3200. It must be recalled that 100 points on the Dow, these days, is just over three percent.

In addition, technical factors underlying the market do not seem to us, at this point, to be all that bad. We use that phrase advisedly, since it is difficult to call market action good when we see such manifestations as close-to-peak levels in the averages being accompanied by anemic new high figures under the 200 level. Nonetheless, momentum indicators are showing satisfactory performance. Our weekly breadth index, which has, for some years, possessed an upward bias vis-a-vis the daily indicator, posted new highs last Friday. The daily breadth index remains, at this writing, short of its high, but it is close enough to it that a couple of good market days could bring it to new peaks, thus confirming new highs in the averages.

We do not, then, think there currently exists technical evidence sufficient to make a forecast as to the direction of the market's next major move. We have regularly pointed out, however, that there exists a distinction between a forecast and investment policy, and that distinction is particularly applicable at the present time. We continue to suggest, therefore, an aggressive attitude toward common stocks until technical factors show more signs of weakening than they have so far, and/or a decisive downside breakout from the average's current trading range takes place.

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Dow Jones Industrials (12:00)	2987.24
S & P 500 (12:00)	387.80
Cumulative Index (8/15/91)	6228.67

AWT:jb