

TABELL'S MARKET LETTER

DeLafield, Harvey, Tabell Inc.

5 VAUGHN DRIVE, CN 5209, PRINCETON, NEW JERSEY 08543-5209

MEMBER NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC
(609) 987-2300

December 13, 1991

Year-end forecast time has rolled around once more, and readers will recall our custom of dividing our forecast into two parts--- the first consisting of a review of the past year's market. Vacation plans require that this letter constitute the review portion. Our forecast will appear on January 3rd.

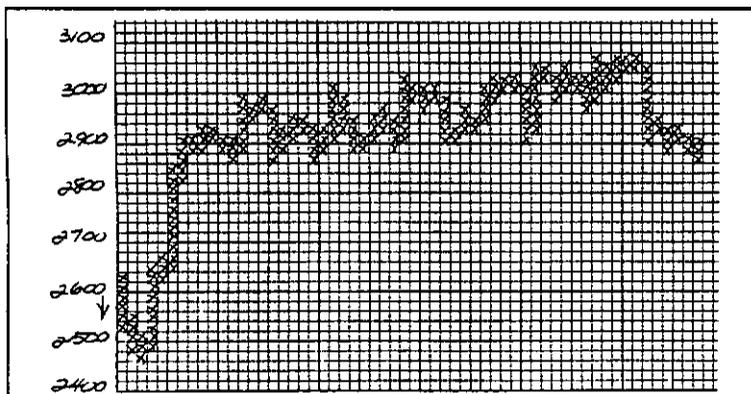
1991, as will become apparent, is not a terribly hard year to summarize. Such a summary properly begins on October 11, 1990, when the DJIA reached a low at 2365.10, which turned out to be the end of what was, in every aspect except length (It was less than three months long.), a fairly typical cycle bear market. The conventional explanation for this decline, which took the average down some 21%, was Iraq's seizure of Kuwait. The subsequent recovery carried into early January, when the announcement of U.S. military action set off what might have been a plunge to new lows. However, the success of that action brought about a dramatic turnaround. By March 6th, the Dow had reached 2973.77, up 25% from the October low and over 20% in just eight weeks from the January bottom.

In a way, the year can be summarized by noting that that ten-month-old figure is just slightly higher than today's level. The bulk of 1991 action took place in the first two months, followed by the year's salient feature---the ten-month trading range with the largest short-term swing in those ten months, at least until the most recent drop, being under 6%.

The range, it must be noted, had a slight upward bias. The March high was exceeded in April at 3004, in June at 3035, in August at 3055 and, finally, at what has been the high to date, at 3077.15 on October 18th. The S & P 500 essentially mirrored this action, outperforming the Dow in the Spring, lagging in the summer as it failed to reach a substantive new peak until well into August.

The year's other salient feature, from a technical point of view, was the distinct improvement, for the first time since 1983, in the relative strength exhibited by secondary stocks. Inspection of the action of the OTC Industrial Index on the chart above makes this point obvious. While the Dow was advancing 21% between January and April---and the S & P, 25%---this NASDAQ index was moving ahead an astonishing 49%. The index rested over the summer---a new high not made until August---but action has picked up somewhat since. A 9% rise has been scored between the April and October highs while the senior averages tacked on only a couple of percentage points. This better relative strength has continued in recent weeks, the OTC average having held above its late November highs while the Dow moved to a new post-April closing low on Tuesday.

All this is of moderate interest, but the important feature of 1991 is the long, flat pattern displayed by the major averages. We illustrate that pattern, using the Dow, in a different format---the 20-point-unit, point-and-figure chart displayed above. It is a pattern which, we think those familiar with p & f technique will agree, is, at least potentially, ominous. The saving grace at the moment is the fact that the average has not yet performed the final action necessary to suggest that the pattern might be a

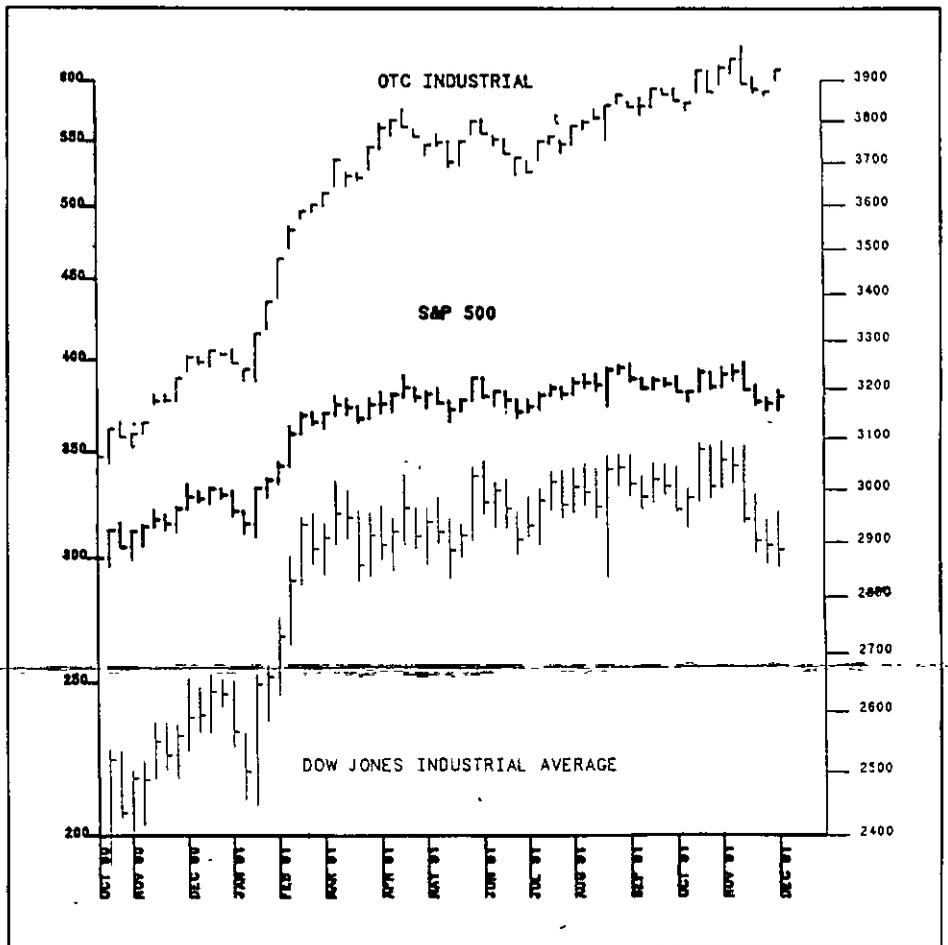


distributional top, a decisive downside breakout.

The proper interpretation of this trading range is, we think, the most critical task facing the market technician today. We will attempt to assay such an interpretation in our 1992 forecast.

Dow Jones Industrials (12:00) 2919.05
Standard & Poors 500 (12:00) 384.58
Cumulative Index (12/12/91) 6341.78

ANTHONY W. TABELL, CMT
DELAFIELD, HARVEY, TABELL



No statement or expression of opinion or any other matter herein contained is, or is to be deemed to be, directly or indirectly, an offer or the solicitation of an offer to buy or sell any security referred to or mentioned. The matter is presented merely for the convenience of the subscriber. While we believe the sources of our information to be reliable, we in no way represent or guarantee the accuracy thereof nor of the statements made herein. Any action to be taken by the subscriber should be based on his own investigation and information. DeLafield, Harvey, Tabell Inc. as a corporation and its officers or employees, may now have, or may later take, positions or trades in respect to any securities mentioned in this or any future issue, and such position may be different from any views now or hereafter expressed in this or any other issue. DeLafield, Harvey, Tabell Inc., which is registered with the SEC as an investment advisor, may give advice to its investment advisory and other customers independently of any statements made in this or in any other issue. Further information on any security mentioned herein is available on request.