

# TABELL'S MARKET LETTER

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"This is the way the world ends  
Not with a bang but a whimper."

T. S. Eliot, *The Hollow Men*

Mr. Eliot's vision of the form of the apocalypse does not, in most times and most places, extend to the stock market. Bear markets in the past have had a strong tendency to end with a very distinct and noticeable bang, the best example being the most recent one, with its climax on May 26, 1970. It is equally true that rather obvious selling climaxes were a feature of the endings of most other recent major bear markets, notably those of 1966, 1962 and 1957. It is necessary to go all the way back to the early 1950's, and to certain occasions in the 1930's and 1940's, to find bear markets which have, in effect, quietly turned themselves around while no one was really paying attention.

It is nonetheless worth exploring the possibility that the current downswing, whenever and wherever it comes to its ultimate end, will not be characterized by climactic action visible in any other but the most esoteric technical terms. One argument in favor of such a contention is the general one that each market cycle has a tendency to be sufficiently different from the past one so as to fool the greatest possible number of people. Thus, the fact that the bear market of 1968-70 came to an end with one of the more classic, textbook instances of a selling climax to have occurred in recent years, suggests that its 1973-4 successor may well have a different sort of termination. An equally persuasive argument is the large number of observers who appear to be "looking" for a selling climax. If this feeling becomes widespread, it becomes highly likely that one of two things will happen. Either apparent climactic action will take place whereupon the market will go lower (there is, in technical history, plenty of precedent for this sort of thing), or, alternatively, the climax will never take place, and a turn will not be recognized until the market has already moved substantially off its low.

It can also be persuasively argued that the market has already or shortly will have seen enough individual "bangs" to have reached an effective sold-out bottom. This week's collapse in Polaroid and Damon constituted really nothing more than a long and distinguished line of individual disasters running back through Combustion Engineering, Avon Products, the mortgage trusts, and Walt Disney all the way to Levitz Furniture. Eventually, the last of the issues which supposedly-professional portfolio managers have managed to maintain at prices incredibly out of line with the rest of the market will have joined the procession down the tube, and we can once again look for a market where it is possible to practice security analysis rather than reading compound growth tables. It is also just possible that that happy day may not be too far off.

Now, none of the foregoing is meant to suggest, certainly, that a bottom has already occurred or that it may not occur at levels significantly lower than the present. The December low on the Dow at the moment of this writing has managed to hold, although the Dow gives the impression of holding on by its fingernails in an attempt to keep from following the other major indices into the abyss. Our Cumulative Index, incidentally, posted a milestone of sorts last week by breaking through the 500 level a week ago to close on Wednesday at 475.16. This figure represents a decline of 51% from the 1973 high and an astounding 68% from the high of 1465 posted in 1968. A market which has seen the average stock lose two-thirds of its value over a six-year period is one that is calculated to produce the sort of lethargic bottom we have been discussing above.

As we have pointed out in the past, the things the stock market is supposed to be worrying about have been awfully well publicized by this time and it is at least worthy of note that on Wednesday, after the stage had been set by the Friday, 15-point decline, the market shrugged off a 12% prime rate with a rather desultory "ho-hum." The current bear market may, indeed, wind up with the usual climactic bang and make pinpointing a bottom easy for us, but at this stage, we doubt if we would make climax-seeking an important part of our investment game plan.

Dow-Jones Industrials (12:00 p.m.) 790.36

S & P Comp. (12:00 p.m.) 83.72

Cumulative Index (7/3/74) 475.16

AWT/jb

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