TABELL'S MARKET LETTER

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MEMBER NEW YORK STOCK EXCHANGE, INC
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June 6, 1975

The Bullwinkle - Bearfeather Dialogues
(conclusion)

Readers of the past two issues of this letter will be aware that we treated them to an imaginary dialogue between two forecasters named Bullwinkle and Bearfeather, whose ingrained market attitudes were symbolized by their names. The intent in using this particular format was not altogether facetious. It allowed an opportunity to express both bullish and bearish arguments vigorously. The major point, however, was that there was no real villain in the piece and that Messrs. Bullwinkle and Bearfeather both had some reasonably cogent arguments.

Bearfeather started out with the assertion that the present upswing was a rally in a bear market because, among other reasons, it had not gone to a new high. Bullwinkle countered with the argument that bull markets are measured by percentage changes, not new highs, and here, we think, he has the better of the argument. The rally of 1974-7? will go down in history as a bull market. This will be true whether the high of May 14th turns out to be the ultimate peak or whether new highs are later attained. It will be equally true if the subsequent bear market, whenever and wherever it starts, goes on to new lows. This realization, we think, is important for analytical purposes. It seems to us folly to operate from the preconceived notion that we are looking short-range, at a severe market downswing which will go to new lows. If we are in a bull market, we should be looking for classic signs of a bull market topping out. As Bullwinkle pointed out, these signs have not yet occurred.

On the other hand, Bullwinkle was suggesting considerably higher objectives for the present rally based on comparative figures for bull markets of the 1950's and 1960's, all of which, it must be admitted, had greater percentage advances and lasted longer than the current rise. His opponent countered that market action since 1968 suggests that we are in a long-term environment entirely different from that of the 1950's and 1960's, and that it is highly dangerous to draw upon that experience as the sole ground for forecasting higher prices. Here we find ourselves in accord with Bearfeather's side of the argument. We are not by any means forecasting that the current upswing will have a shorter time span and smaller amplitude than its predecessors, but we do not think that the possibility can be ruled out.

Our bearish protagonist pointed (as we have been doing) to the existence of heavy overhead supply around the 850 area on the Dow and suggested that this supply must ultimately turn the market, while his colleague suggested that the supply ultimately will be penetrated. Here we do not think that either debater is justified in speaking with a great deal of certainty. We think it highly probable that the supply will slow down the rate of advance as it has already noticeably done. As to the ultimate penetration or non-penetration, we would prefer to let future events speak for themselves.

The whole point of the exercise, actually, is that, at this stage, any long-range forecast involving astonishing numbers either on the upside or the downside is, in our view, refined crystal ball gazing. Almost all of the arguments presented by Bullwinkle and Bearfeather were refutable. In cases where all hypotheses can be refuted, it is silly to hold hypotheses. We have been suggesting, and continue to suggest in this letter, an aggressive attitude toward equities, and we think this attitude continues to be an appropriate one. There comes a time in most bull markets (and we think there is ample evidence that this time is at hand) when stock selection becomes a great deal more important than market forecasting. Studies of individual stock patterns at the moment strongly suggest that the rotation of leadership which tends to characterize the maturing phases of bull markets has been occurring and, in our view, the major requirements of successful investing in the near future will be to identify those changes in leadership as they occur. Meanwhile, we will continue to watch for the sort of evidence of overall market deterioration which would suggest that the aggressive attitude toward equities indicated above should be modified in some form or another.

Dow-Jones Industrials (12:00 p.m.) 839.88
S & P Comp. (12:00 p.m.) 92.57
Cumulative Index (6/5/75) 520.78
AWT/jb

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