TABELL'S MARKET LETTER

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We affirmed in this space last week our view that, whatever other uncertainties might prevail, a short-term uptrend dating back to the lows of last November had definitely been established. After some early hesitation, that uptrend continued in this week's trading with the Dow posting a new high of 854.64 on Thursday and extending the rise early Friday. The upswing is now 48 trading days old and may be defined as a channel 4 points wide rising at the rate of some 2.25 points per day. The lower limit of that rising channel is now approximately 840.

We went on to say last week that, in the light of that uptrend, possibly the most plausible interpretation of the market's long-term action was that we remained in a major bull market. We confess that we lean toward this interpretation. However, it is appropriate to ask, why the confusion? What is the peculiar quality of the present instance which makes difficult not only a forecast of future action but an analysis of what has gone by?

It is necessary to remind oneself of the difference between looking at past history and looking at the present. By definition, we can be absolutely certain that we are in an upswing only at the precise time that the market is making new highs. As time passes between the point at which the last high in an advance was scored and the present, the possibility always exists that that previous high was in fact the peak of the bull market in question.

We are now in a situation where just such doubts may exist. The last high for the averages was scored on September 11th at 907.74 in terms of the Dow. Ninety-six trading days have gone by without that high having been exceeded. If history is eventually to reveal, as of January 1979, we were still in a major upswing, that September high will be equalled or exceeded in due course. On the other hand, history may ~~ultimately show that a downturn began last September, a possibility which would be~~ confirmed by a move below the mid-November lows.

A look at past markets indicates that the period of time which has thus far passed since September, 96 trading days, is not without significance. It is, by a goodly amount, the longest interruption in the upswing, the longest prior hiatus having ended on August 2nd of last year when the Dow attained a new high after having failed to do so for 40 trading days. Moreover, an interruption of this length is not historically without precedent. Indeed, every one of the major bull markets of the past 30 years has undergone at least one interruption longer than the present one. In five of the seven cases, in fact, that interruption has been considerably longer, lasting for time periods approaching or exceeding a year. Thus, if the present impasse turns out to be a normal historical phenomenon, it could well continue into next summer before it is ultimately resolved.

Present action, therefore, is not in the least inconsistent with our current positive short-term view of the market. It does, unfortunately, carry the implicit suggestion that, when and if a new high is scored, the upswing may well be at an advanced stage.

There have been only eight previous instances in 30 years where an ongoing bull market has been interrupted for a period of 96 days or longer without posting a new high. Almost invariably, when that new high took place, the upswing in question was at a mature stage approaching its end in both time and amplitude. At the point where these eight interruptions ultimately moved to new high levels the Dow had completed amounts ranging from 81% to 100% of its ultimate total advance, the average amount being 90%. At the same eight points in time, an average of 80% of the total trading days in the bull market in question had gone by. The remaining life of the bull market at the time the new high was posted ranged between 0 and 491 trading days with an average of 158 days. Thus, in the present instance, if the average were to fulfill our expectation and equal or exceed the September high at 907.74, one would expect the ultimate peak of the advance to be in the vicinity of 942. One would also suspect that the continuance of the rise would be fairly short-lived lasting for perhaps 6 months after the new peak was posted. It will be interesting to see whether the present case ultimately conforms to this historical model.

Dow-Jones Industrials (12:00 p.m.)	856.38	ANTHONY W. TABELL
S & P Composite (12:00 p.m.)	101.57	DELAFIELD, HARVEY, TABELL
Cumulative Index (1/25/79)	725.31	

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