TABELL'S MARKET LETTER

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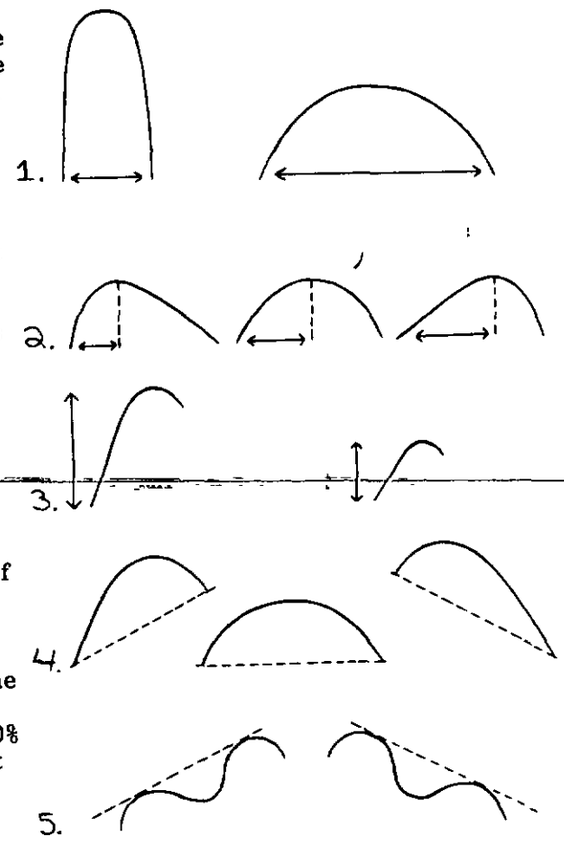
We have been examining the proposition that March, 1978 began a new stock market cycle, the twenty-third in a series of such cycles since 1896, which have tended, from trough to trough, to average just under four years in length. For analytical purposes, a cycle is measured from one low to the next low, but what is, of course, crucial to a price forecast is the shape of a given cycle. That shape may be viewed from many different perspectives as the illustration at the right indicates.



The first such perspective is the length, low to low, of the cycle, as illustrated in Figure 1. As we noted last week, the average for the entire century is just under four yours, and for the modern period, a bit over four years. Part of the difficulty in recognizing 1978 bottom stemmed from the fact that it completed a cycle of only 39 months, a length shorter than the average but well within the range of 31-55 months which has characterized all cycles in this century except for the 1920's. This length suggests the next major low may not occur before late 1981 or early 1982.

A cycle may also be characterized in terms of the time it spends advancing as Figure 2 shows. The present cycle has occupied 17 advancing months to date versus an average of 28 months for the entire twentieth century, and 36 months for the nine cycles since 1942. Only three previous cycles during this century have spent fewer than 17 months in an advancing phase. For over the entire eighty years, market cycles have averaged 61 percent of their total length in an advancing stage, and for the post-1942 cycles, this average has been 75 percent.

Figure 3 illustrates another cycle parameter, the extent of the total advance from trough to peak. That amplitude is 15 percent, (based on monthly average price) for the current cycle, and it is worth noting that only one of the 23 cycles under study (1946-1949) has produced a smaller advance. The range of those advancing phases has been 13% to a high of 309% in 1923-1929. The average for eighty years has been 80% and, for the recent period, 64%. Even the three most recent flat cycles have averaged a 46% advance. These three figures would suggest upside targets of 1350, 1240, and 1100 respectively.

It is also possible to view a move in terms of the relationship of the terminating low to the previous low, as is done in Figure 4. The March, 1978 low was 126.8 percent of the December, 1974 nadir, an interesting figure since both the recent average and the average of the entire century are within 2 percent of it. Both the May, 1970 and December, 1974 lows were lower than the previous ones, and it is interesting to note that there has not been a single case in this century of more than two consecutive cycles scoring lower lows.

There have, moreover, been only two cases in eighty years of two consecutive cycles showing lower peaks, along the lines of the right-hand illustration in Figure 5. This would tend to argue against the current upswing's peaking out short of the September, 1976 high of 994.37 (monthly average price.). For eighty years, cycle highs have averaged 126% of the previous peak. This would suggest a possible target of 1250.

In summary, while there is precedent for the current market advance's terminating within the near future, the average experience for this century would suggest that it has a good deal further to go in terms of both time and amplitude.

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Dow-Jones Industrials (12:00 PM)	885.67
S & P Composite (12:00 PM)	109.16
Cumulative Index (8/30/79)	813.17

AWT:sla