TABELL'S MARKET LETTER

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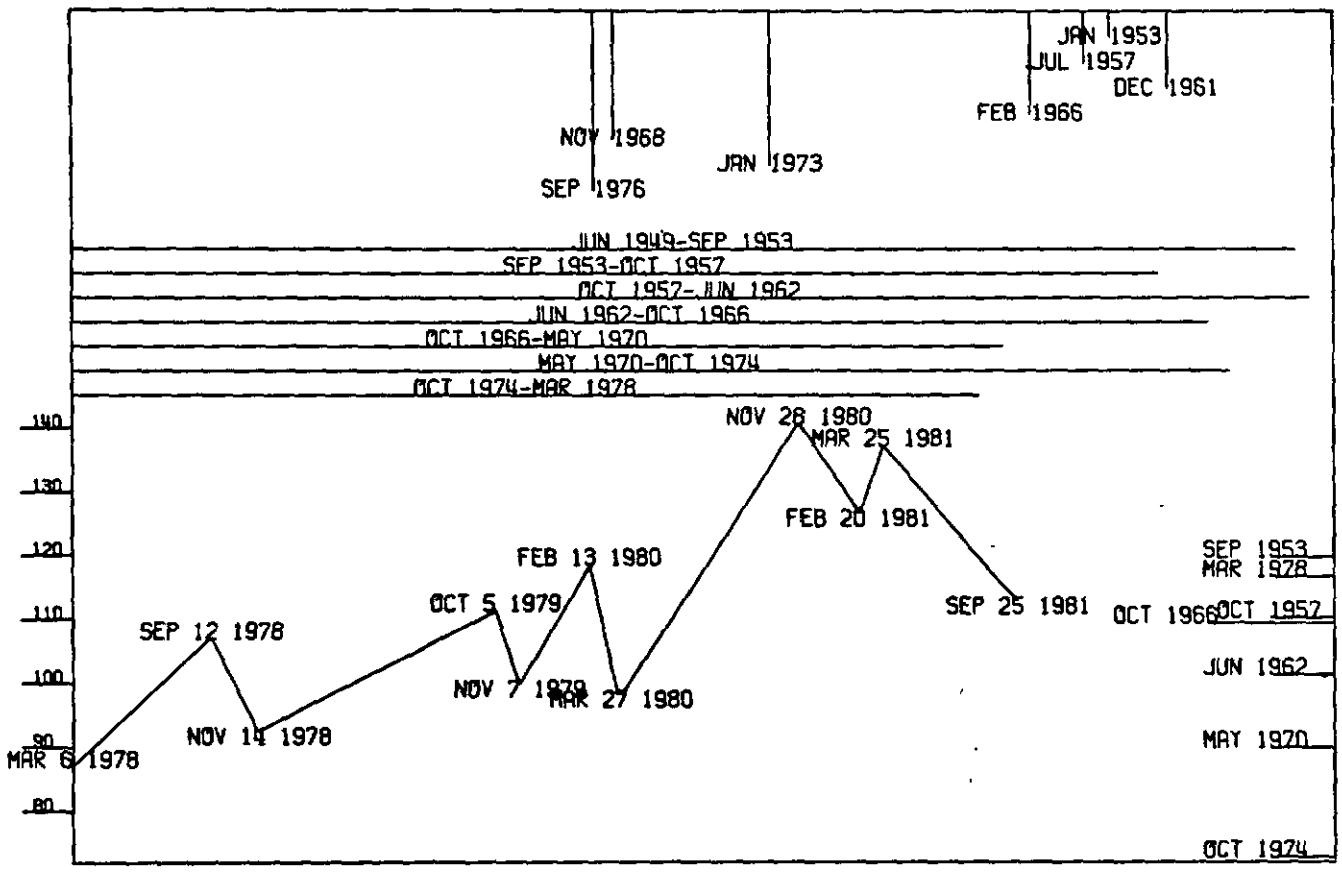
We have been arguing in this space for the last few weeks that the downswing which has characterized most of 1981 so far probably constitutes the eighth cycle bear market of the post-World-War-II stock-market era. If we are correct, it can then be recognized as the downward phase of a typical four-year stock market cycle which began on March 6, 1978. We first tentatively identified this date on April 14, 1978, about a month after its occurrence, and the chart below is an updated version of one that appeared on June 27, 1980, just before the major averages moved on to their recent highs. We think that the current version demonstrates how neatly (perhaps too neatly ???) the recent stock market fits into the four-year cycle pattern.



The chart is drawn to a uniform horizontal scale, and the lower line shows the recent cycle with its major component swings in the S & P 500 from March, 1978 to the low of September 25. The other data on the chart attempts to relate the present cycle to previous ones. The horizontal lines in the middle of the chart, as an example, show the length, in trading days, of each of the seven previous completed cycles. A comparison of the length of these lines to the current cycle shows that this one (900 days through September 25) has already lasted longer than the 1974-78 cycle (863 days) and the 1962-66 cycle (885 days). The others, however, were all considerably longer and the average length for seven previous cycles is 1,043 days which would call for the present downswing to bottom sometime in April, 1982.

The dates across the top of the chart show the relative position of each high point in the previous cycles. As can be seen, even measured to November 28 when the S & P made its high, the preser cycle has produced a longer advancing phase than either of the last three. The advancing phase turned out to be somewhat shorter than the comparable phase of the four earlier cycles, although less so if one uses the March-April high, when the Dow and a number of other indices in contrast to the S & P 500 scored their bull-market peaks.

What is germane at the moment of course, is trying to pinpoint the level of the next low. The dates at the right hand side of the chart show the relative levels of each of the previous seven lows based on percentage decline from their respective highs. As can be seen, the current decline (19.75%) has already exceeded those of 1953 (13%) and 1978 (19.4%) and is about equal to the 1957 (21.6%) and the 1966 (22.1%) declines. It still falls considerably short of the 1961-62, 1968-70, and the 1973-74 drops. Were one of the three latter declines to be equaled it would be possible for the S & P to drop a further 10% or 20% or 35% respectively, from its September 25 low to 101, 90, or 73 versus its recent level arour 110. For various reasons we regard the latter eventuality as highly unlikely. Something on the order of the 1962 or 1970 declines, however, would not, we think, be totally out of the question.

Dow-Jones Industrials (12:00 p.m.	840.85	
S & P Composite (12:00 p.m.)	118.93	
Cumulative Index (10/22/81)	1064.52	

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