TABELL'S MARKET LETTER

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MEMBER NEW YORK STOCK EXCHANGE, INC
MEMBER AMERICAN STOCK EXCHANGE

April 8, 1982

We are --- hold your hats --- about to issue another one of our fearless forecasts. The stock market has either reached a major bottom --- or it hasn't.

If you, dear reader, are still with us after the above pronouncement, let us hasten to state that, in our view, it is not as entirely without information content as it might first appear, nor do we feel particularly inclined to apologize for it. Uncertainty is, very often, a fact of life, and the advisor does his audience no service by pretending that it does not exist. There is little doubt that conventional cycle theory argues persuasively in favor of a major stock-market bottom's occuring sometime during the year 1982, and at this moment, we have an identifiable low having occurred in the major averages exactly a month ago, on March 8. Market action since that time has been marginally constructive. Indeed, a base could be forming which would make the most plausible short-term forecast one which called for a rally --- perhaps extending as far as the low to middle 900's. Were such a course in fact to ensue, the obvious question would become whether or not such a rally constituted the initial phase of a major upswing from that March 8 low or whether another bottom, testing and/or penetrating March 8, was yet in the offing.

Sticking our neck out just a shade further, we confess, that given current evidence, should a short-term rally take place, we would be inclined toward the latter view. We are not certain, in other words, that March 8 --- or indeed the entire September, 1981-March, 1982 configuration --- possessed all of the characteristics of a major cyclic bottom. This opinion is, of course, subject to change based on the further accumulation of technical evidence, and it will be our job to keep our readers thus informed.

Characteristically, one of the more diffichlt decisions which has to be made at the occurance of a putative major low is whether or not market psychology has reached its absolute nadir. Important bottoms in the past have tended to be characterized by maximum visibility for whatever conventional wisdom assured us were the major worries of the moment and the accompanying absolute certainty that these worrisome factors could do naught but become worse. The result has generally been a near-consensus forecast, at each low, that the market could only go lower.

It is necessary only to pick up the newspaper to identify the conventional worries of the moment. They can be summarized as (1) Deficit, (2) Recession, and (3) Interest Rates. Simultaneous concern of any magnitude about the first two is, of course, a form of double counting. If the seeds of continuing recession or even depression are in fact present, then, of course, a deficit becomes nothing more or less than appropriate fiscal policy. This is true whether one adheres to the now-largely-discredited fiscalist view or to the conventional monetarist view. The former would hold that fiscal stimulus is a necessary ingredient for recovery. The latter would suggest that, within limits, decreased private credit demand makes it a simple task to finance the deficit while maintaining the proper growth rate for monetary aggregates. If, on the other hand, the recession is close to its end, the conventional wisdom about the size of the deficit --- which, it must be remembered, is projected not actual --- may be widely off the mark.

Regarding the third factor, high interest rates, it is, of course, fashionable to blame them for about every concievable ill other than this week's snowstorm and the Falkland Island war. We are perhaps overly optimistic, but we find ourselves unable to view double-digit interest rates as a totally unmixed disaster. It would be hard to claim that those individuals who have invested almost $200 billion in money funds, where, at minimal risk, they earn record returns in a period of reduced inflation, have not received some economic benefit from current interest-rate levels. We have become used, fortunately or unfortunately over the past three decades, to an economic environment that favors borrowers and spenders. It is not surprising that the transition to one which tends to favor lenders and savers should be painful in many sectors. A value judgment as to which climate is to be preferred, however, is something else again.

To many, the above view will be incredibly optimistic, but we are not sure it would be universally considered outrageous, which opinion would be a necessary precursor to the sort of market psychology discussed above. Difficult as it is to gauge these things, we are not sure that concern regarding the three spectres discussed above has yet reached the stage of irrational panic. We can be sure that, when it does, the stock-market bottom will be at hand.

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Dow-Jones Industrials (12:00 p.m.)	838.66
S & P Cumulative Composite (12:00 p.m.)	115.71
Cumulative Index (4/7/82)	1104.74

AWT:lt