TABELL'S MARKET LETTER

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It is perhaps worthwhile at this stage, some six weeks after the beginning of the 1982-198? bull market, to try to restate what seem to us to be some rather clear implications of technical analysis. We have tried to express these conclusions, admittedly in somewhat disorganized form, in the past five issues of this publication. A summary, therefore, appears in order.

We had spent most of the year 1982, through August, trying to suggest that any rational study of the four-year, major-stock-market-cycle pattern, indicated a high degree of probability that the 1980-1982 bear market should terminate sometime before the end of the year. Through mid-August, we readily admit, there was precious little evidence being afforded as to when precisely that event might take place. We could only suggest that, as time moved inexorably on, its likelihood became greater.

Then came the deluge. We have been trying to document, for the past five weeks, our conclusion that the upside explosion of August-September, 1982 signified the actual emergence of the reversal we had spent most of the year awaiting. We have tried to suggest repeatedly that the sort of upside activity seen since mid-August has been,in the past, characteristic of major market reversals and, by and large, only major market reversals. We have, therefore, reiterated the conclusion that a new bull market effectively began on August 12, 1982. Indeed, in a sense, that prophecy has already come to pass. For the past 40 years of stock market history at least, a 20% filter has been a usable tool for defining bull markets. Since, as of this week, we were already up by more than that amount from the August low, the new bull market is not now a conjecture; it is a matter of record.

Once we can work ourselves into a frame of mind which accepts this fact as given, it becomes fairly easy to define what is, at this moment, the major task facing the technician. It is quite simply that of trying to define how far the bull market will carry and for how long it will continue. We do not, however, regard this problem as being of pressing urgency at this stage. Indeed, it is sufficiently precise at the moment to say nothing more than that, based on the historical record, it is likely to continue a good deal further and a good deal longer. The shortest major-cycle upswing on record since 1942 lasted for 21 months --- which time frame carries us into May, 1984. The least dynamic upswing during the same time period involved a 32% advance on the Dow, which sort of advance from the August low would still take us appreciably higher than we are today. It should, of course, be noted that we are citing here the least impressive bull markets of a 15-year period during which a secular flat trading range has generally tended to put a damper on bull markets. As we noted last week, if that secular trading range is over, (and we do not think there is yet any evidence that it either is or is not) a rise equivalent to the typical bull markets of the 1950's and 1960's would take us to around the 1400-1500 territory on the DJIA.

For some reason, however, most market commentary that we have seen does not tend to focus on these sorts of numbers. Bemused by the fact that the market has traveled as far and fast as it has, much analysis has centered on the inevitability of some sort of correction. Now we fully agree that such a phenomenon will, at some point, emerge. This is nothing more than another way of saying that markets do not persist in one direction forever, an obvious fact which the investor does not need a technical market letter to ascertain. There, indeed, at the moment, exists a possible short-term top formation on the Dow which can be read to a downside target of approximately 885. It is, further, possible that this top may broaden and indicate a correction of even greater magnitude. It is also, it should be noted, equally possible that the formation will not turn out to be a top at all but simply a consolidation prior to yet another upside thrust to somewhere in the upper 900's. Indeed, another characteristic of bull markets during the 1950's and 1960's was that they tended to proceed to their ultimate destination without ever producing corrections of a magnitude much greater than 5-7%.

Under the circumstances, then, excessive concern regarding a correction may be a waste of intellectual energy. In investment management, as in any other field, there exists a proper time for everything. The present, in our view, is a proper time for devoting oneself to the task of maximizing those unusual investment returns available only during major upward cycles.

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AWT:rs

Dow-Jones Industrials (12:00 p.m.)	921.08
S & P Composite (12:00 p.m.)	123.53
Cumulative Index (9/23/82)	1248.32