TABELL'S MARKET LETTER

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"Is there any point to which you would wish to draw my attention?'
'To the curious incident of the dog in the night-time'
'The dog did nothing in the night-time'
'That was the curious incident,' remarked Sherlock Holmes."
Sir Arthur Conan Doyle, Silver Blaze

We have used the above quotation many times in this space over the years, and the reason therefor goes beyond the fact that we are Sherlock Holmes buffs. The moral that it evokes is probably applicable to formulating a forecast during most of the life of a typical stock-market cycle, and is particularly germane at a time like the present. The context from which the quotation is extracted involved the failure of a watch-dog to bark during the night on which a crime took place. From this, the great detective was able to deduce that no unusual incident had taken place on the night in question. The point was that this very lack of an unusual incident itself constituted a useful piece of information, in this case, the fact that the perpetrator was a familiar figure.

The fact is that very often --- probably two-thirds to three-quarters of the time --- the most important possible stock-market clue is provided by the fact that no unusual incident is taking place. Let us examine the present instance. We are, we think it axiomatic, in a bull market or, in any case, were in one as of that one bright shining moment around 2:30 on Wednesday when the Dow, in a flirtation with a brand new round figure, swung momentarily above 1190. It is an intellectual necessity to accept this fact as given, despite the fact that there may be those who are still fighting it. A market that has moved up 41% over a five-month period is by definition a bull market. Period. On to the next step. Having arrived at this stage, it becomes incumbent upon the technician to drag out a whole arsenal of indicators, many of which were gathering dust in the closet over the past four or five years. These are the indicators normally associated with the identification of market tops. Almost all of these indicators are now behaving absolutely like Holmes' dog in the night-time. They are doing nothing. This lack of indication, in other words, results in a positive clue that the market is likely to continue to move higher.

We cited some of these indicators in last week's letter. One family consists of market breadth measurements, all of which went sailing merrily along to new bull-market highs coincident with the major averages attaining those highs last week. A whole host of others could be added to the litany. New highs continue to expand satisfactorily; group momentum appears positive, and dollar-flow measurements appear to suggest a presently inexhaustable supply of buying power. One would expect that five months into a rise there might be a significant number of potential distributional formations in individual stocks. These are beginning to present themselves, but in paltry amounts that make vulnerable patterns seem as rare as diamonds. No dog is barking in the night-time to warn us of any condition other than the early stages of a bull market.

We can describe the process of operating an investment portfolio under such conditions by resurrecting an eight-year old quotation from this letter. It appeared on March 19, 1971, at which point, we now know, we were in a bull market then some seven months old. We said then:

"Portfolio management in a bull market, it seems to us, is much like driving a car at night. The headlights allow a limited vision of the road ahead and, as long as it is clear, the traveller proceeds in relative serenity. Quite obviously he remains alert, but, were he continually to worry about obstacles just beyond the range of the headlights, he would turn himself quickly into a nervous wreck. At the moment, all technical signals suggest that the stock market road ahead is clear, and the investor who worries about what might happen beyond his field of vision is dissipating a good deal of intellectual energy that could better be applied elsewhere."

We think it obvious that the same sort of condition, as far as the market's technical position is concerned, applies today. We still find ourselves being asked what sorts of deterioration or unfavorable developments might emerge to upset our optimistic prognosis. The fact that such questions are still being posed is indeed the best indicator of the market's remaining upside potential. Questions about deterioration are usually uncommon in the area of market tops.

One sort of deterioration, of course, would be a move by the Dow deep back into the late 980-1070 trading range, suggesting that the recent upside breakout was false. We frankly do not regard this as a likely eventuality. Paradoxically the first thing that the market has to do to show deterioration is to post a decline of some magnitude. This, of course, it has not done since August. Were it to do so, it would then possess a "benchmark" and could apply the standard technical tests to the subsequent rally. This procedure would not work, of course, if markets tended to turn on a dime and reverse themselves immediately. A study of the historical record, however, teaches us that this is precisely not what they tend to do.

What we are saying, in other words, is that any development which might emerge to upset the optimistic scenario would require time, and we would appear at the moment to have time on our side. We are five months into an upswing which, absent unusual conditions, should have a lifespan of two to three years. Should such unusual conditions emerge, we will, we hope, be able to recognize them and act accordingly. Meanwhile, the investor should devote his energy to selecting those stocks best calculated to provide the capital enhancement available under bull-market conditions.

Dow-Jones Industrials (12:00 p.m.)	1081.22
S & P Composite (12:00 p.m.)	146.76
Cumulative Index (1/13/83)	1608.76

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