

TABELL'S MARKET LETTER

Delafield, Harvey, Tabell

909 STATE ROAD, PRINCETON, NEW JERSEY 08540

DIVISION OF

Janney Montgomery Scott Inc.

MEMBER NEW YORK STOCK EXCHANGE, INC.
MEMBER AMERICAN STOCK EXCHANGE

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Wednesday's market decline, the latest interruption in the bull market, was widely attributed to economic news, a 1.8% fall in real Gross National Product for 1982. The drop could hardly have been surprising, since it simply confirmed the fact that we were, during 1982, in a recession, a piece of information constituting news to absolutely nobody. The crucial question, of course, centers around the low point of that recession. Our economist colleagues have been sticking their necks out ever so slightly, and many have lately suggested that December, 1982 may, in fact, have been the recession's low month.

There is no way of accessing the accuracy of this prediction since the NBER, which is the arbiter in such matters, will probably not put a date on the recession's end for at least a year. Assuming, however, that the end was in December, how does one square this with the sharp stock-market rise since August?

Recession Low	DJIA Low	Lead
Oct. 49	June 49	4
May 54	Sept 53	8
Apr. 58	Oct. 57	6
Feb. 61	Oct. 60	4
Nov. 70	May 70	6
Mar. 75	Oct. 74	5
July 80	Mar. 80	3
Dec. 82	Aug. 82	4

The table at left shows the low point of the eight recessions in the past 35 years. Every one of these eight recessions was associated with a stock-market decline, six of them with major bear markets. (The two exceptions were the 1961 and 1980 recessions which produced only intermediate-scale stock-market drops.) The second column of the table shows the date of the stock-market lows associated with the recession, and the third shows the number of months lead. It is quite

clearly demonstrated that a stock-market bottom four months in advance of the recession low is totally consistent with past history.

It may well be argued, however, that a market rise as steep as the recent one, with the recession not even having bottomed, is without precedent. This argument has some degree of validity.

Recession Low	DJIA Low	High Reached	% Adv.
Oct. 49	161.60	190.36	18
May 54	255.49	327.49	28
Apr. 58	419.79	458.65	9
Feb. 61	566.05	662.08	17
Nov. 70	631.16	794.09	26
Mar. 75	584.56	786.53	35
July 80	759.98	936.18	23
Dec. 82	776.92	1070.55	38

1982's 37.8% advance to the December high is indeed a record, but the rise from October, 1974 through March, 1975, the month the 1974-5 recession actually hit its low was almost as great. In all cases, a significant stock-market rise had taken place by the time the recession was over.

Recession Low	High Reached	Subs. High	Date	Mo. Later	% Adv. Cmpl.	% Adv.
Oct. 49	190.36	293.79	Sept 53	47	54	22
May 54	327.49	521.05	Apr. 56	23	50	27
Apr. 58	458.65	685.47	Jan. 60	21	49	15
Feb. 61	662.08	734.91	Dec. 61	10	11	57
Nov. 70	794.09	1051.70	Jan. 73	26	32	39
Mar. 75	786.53	1014.79	Sept 76	18	29	47
July 80	936.18	1024.05	Apr. 81	10	9	67
Dec. 82	1070.55	?	?	?	?	?

The key point, of course, is what happened afterward. The table at left shows the seven previous recessions and the high which had been reached on the Dow by the time the recession bottomed. The next three columns show the subsequent high, the date of that high, and the number of months required for that high to be reached. In none of the seven previous cases did the market fail to advance for less than 10 months after the recession bottomed, and, in 1949, it continued to rise for almost four years. The percentage advance from the high at the recession trough to the subsequent high was, in most cases, fairly substantial as the next column shows. The final column in the table shows the percentage of the total ultimate advance that had been completed by the time of the recession trough. In only two cases had more than half of the total rise taken place by the time the recession hit its low, and, in a number of instances, only a minor portion of the rise had taken place. If the almost-300-point advance from August to December turns out to constitute half or less of the ultimate total advance, the results will indeed be impressive.

AWT:rs

Dow-Jones Industrials (12:00 p.m.) 1057.40
S & P Composite (12:00 p.m.) 144.25
Cumulative Index (1/20/83) 1627.47

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL

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