

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

March 11, 1983

The most valuable service that can be performed by a technician --- if he is reading the signs and portents correctly in the early stages of a bull market --- is to allay nervousness. There tends to be a general feeling among investors that, if a market begins rising sharply, it is somehow exhibiting aberrant behavior and is, therefore, vulnerable to immediate reversal. Most of what we have been writing in this space for the past six months has constituted an attempt to suggest, in one way or another, that what has been taking place since August, while it bears its own unique signature as all markets do, is, by and large, perfectly normal.

Much of the focus of what we have been discussing has been on length of time --- i.e., we have noted that a sharp initial rise, lasting for six months as the present one has, is hardly without precedent, and we have reminded our readers that bull-market cycles tend to persist for a great deal longer than this. Our colleague, Robert Simpkins, in taking over this space last week, zeroed in on the extent of the recent advance, some 47% from the August low, and documented the fact that an increase on this order of magnitude was also a not unusual occurrence.

It is perhaps useful once again to put this fact into historical perspective. The table below cites some relevant statistics for 13 past major-cycle bull markets, starting in July, 1932. For each bull market the starting date and the percentage decline which preceded it is given, followed by the Dow-Jones Industrial Average at the low, the date of the high, the ultimate peak and the percentage advance. Set in this perspective, the 47% advance from August to date still appears as pretty much of a weak sister. All but three of the bull markets in question have involved rises considerably greater than the current one, and in numerous cases the ultimate advance has been twice as great as the one so far.

Date of Low	Previous % Decline	DJIA Low	Date of High	DJIA High	% Advance
July. 1932	-89.2	41.22	Mar. 1937	194.40	371.6
Mar. 1938	-49.1	98.95	Nov. 1938	158.41	60.1
Apr. 1942	-41.3	92.92	May 1946	212.50	128.7
Oct. 1946	-23.2	163.12	June 1948	193.16	18.4
June 1949	-16.3	161.60	Jan. 1953	293.79	81.8
Sep. 1953	-13.0	255.49	Apr. 1956	521.05	103.9
Oct. 1957	-19.4	419.79	Dec. 1961	734.91	75.1
June 1962	-27.1	535.76	Feb. 1966	995.15	85.8
Oct. 1966	-22.1	744.32	Dec. 1968	985.21	32.4
May 1970	-35.9	631.16	Jan. 1973	1051.70	66.7
Dec. 1974	-45.1	577.60	Sep. 1976	1014.79	75.7
Feb. 1978	-26.9	742.12	Apr. 1981	1024.05	38.0
Aug. 1982	-24.1	776.92	Mar. 1983	1141.74	47.0

Even the three advances that have been smaller than the current one constitute, in their own way, special cases. The October, 1966-December, 1968 rise involved only a 32% markup for the Dow, but it was featured by considerably more dynamic action in a whole host of secondary stocks. The cycle from October, 1946 through June, 1949 was essentially an attenuated one, constituting a base-building period for the series of dynamic advances that followed. Interestingly enough, the February, 1978-August, 1982 cycle has many of the same characteristics, and this is, possibly not coincidentally, the third case on record in which the usual bull-market advance was somewhat subdued. There is much, in other words, to suggest that the present rise will turn out to belong comfortably in the family of previous upswings, posting an eventual rise of somewhere between 60-100%.

There exists one sense in which current behavior is significantly different from that of the past two decades, and it is indeed an encouraging one. As noted above, two of the sub-par advances on the list have been in recent cycles, 1966-68 and 1978-81. The two intervening cycles, 1970-1973 and 1974-1976 were more normal in terms of advance, but, as the table shows, they both followed extremely steep corrections and thus required a sharp advance to recover the ground lost. By contrast, the 24.1% correction which took place between April, 1981 and last August, while unquestionably of cycle-bear-market dimensions, was relatively mild. However, this comparatively tepid swing was followed by what appears, to date, to be a more conventional bull-market advance. The market may well be taking on the characteristics, in other words, of the cycles which occurred between 1949 and 1966, when mild corrections were followed by highly dynamic bull markets. As was pointed out last week, if this pattern is carried through to its conclusion, it would raise the strong possibility of a super-cycle upswing replacing the flat supercycle of 1966-1982. It is time, we think, that this question was explored in some depth, and we intend to do so in future issues of this letter.

ANTHONY W. TABELL
DELAFIELD, HARVEY, TABELL

AWT:rs

Dow-Jones Industrials (12:00 p.m.) 1119.10
S & P Composite (12:00 p.m.) 151.31
Cumulative Index (3/10/83) 1736.36

No statement or expression of opinion or any other matter herein contained is, or is to be deemed to be, directly or indirectly, an offer or the solicitation of an offer to buy or sell any security referred to or mentioned. The matter is presented merely for the convenience of the subscriber. While we believe the sources of our information to be reliable, we in no way represent or guarantee the accuracy thereof nor of the statements made herein. Any action to be taken by the subscriber should be based on his own investigation and information. Janney Montgomery Scott, Inc., as a corporation, and its officers or employees, may now have, or may later take, positions or trades in respect to any securities mentioned in this or any future issue, and such position may be different from any views now or hereafter expressed in this or any other issue. Janney Montgomery Scott, Inc., which is registered with the SEC as an investment advisor, may give advice to its investment advisory and other customers independently of any statements made in this or in any other issue. Further information on any security mentioned herein is available on request.