TABELL'S MARKET LETTER

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The major stock-market indices continued last week to move into new all-time high territory. One side-effect of this ongoing strength was that it apparently muted, for the time being, the widespread forecasts of imminent correction. By contrast, Thursday's New York Times headed its market summary by saying "Analysts predicted the Dow will break 1200 by the end of the week." This happy event had not come to pass at this writing, and it may or may not do so. However, it hardly qualified for the Fearless-Forecast-of-the-Year award, since the average had closed at 1191 the night before, and a nine-point rise in the current environment cannot be considered a particularly earthshaking event.

Contrary opinion, of course, tells us that the time to worry about a correction will be when all concern about one has disappeared and forecasts become uniformly bullish. It will, therefore, be interesting to see what happens when the market, as it inevitably will, starts failing to post new peaks for a week or two. If the correction talk reemerges at that stage, we will be duly encouraged.

Meanwhile, on an objective basis, the upside momentum which the market continues to be able to display, even seven months into the advance, remains somewhat spectacular. Three short-term corrections, in the 5-6% range, have taken place. At no time, however, from August 12 to the present, has the market displayed deterioration which could be characterized as intermediate-term in scope.

To detect swings of intermediate-term magnitude, 65 days of data have, in the past, constituted a useful time period for study. For example, a 65-day moving average of each day's percentage of advancing issues constitutes a useful measure of the market's behavior on a medium-term basis. This figure peaked last November when, for the 65 days ended November 12, it showed that 48.5% of all issues traded had, on average, advanced each day. Interestingly enough, this was the second highest peak the series has ever reached since breadth statistics have been maintained. The only time it has ever reached a higher level was June 21, 1933, at which time the Dow-Jones Industrial Average was at 95.91, on its way to 194.40 four years later. Indeed, the figure has managed to move above a peak of 46% on only eight occasions prior to the recent one. In most cases these peaks have been scored in the relatively early stages of major bull markets and at times when there still remained a great deal of room on the upside. A recent example was in February, 1971, like the present less than a year after a major (May, 1970) low. The Dow at the time was at 887 versus an eventual high of 1050.

What is particularly significant, however, is that, on an absolute basis, intermediate-term momentum, even after having pulled back, as could be expected, from its high of November, remains highly positive. The 65-day average percentage of advances dipped just below 43% last week and has now again risen above it. This 42-43% level even though down from highs reached last November is still a higher figure than has ever been attained in many past bull markets. Furthermore, almost invariably, there have existed, in past upswings, intermediate-term pauses where the 65-day percentage of advancing stocks has dropped into the high 30's, say to the 37-38% level. These pauses have themselves generally taken place well before the ultimate highs were reached and have often been accomplished without a great deal of correction for the averages. Even this very early sort of sign of loss of momentum has not yet occurred.

It continues to seem to us that the expectation of serious weakness at this stage is like seeing a finely tuned racing car proceeding down the track at full speed and deciding to jump in front of it. Before such weakness occurs, there must occur some sign of loss of upside momentum on an intermediate-term basis. This has conspicuously failed to take place.

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AWT:rs

Dow-Jones Industrial Average (12:00 p.m.)	1194.95
S & P Composite (12:00 p.m.)	160.44
Cumulative Index (4/21/83)	1826.63