TABELL'S MARKET LETTER

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It would be pardonable if Monday's market action caused, for the investor, a slight sense of *déjà vu*. Purportedly in response to a less-than-sanguine market opinion expressed by an analyst for a well-known brokerage house, the Dow interupted its march to new highs by declining 21.87 points or 1.78%. This recalled, to our mind at least, January 7, 1981, on which date it will be remembered, a pessimistic forecast by a somewhat more free-spirited analyst led to a 23.80 point, 2.37% decline in the Dow.

This week's reaction was considerably less explosive. January, 1981 produced not only a larger decline, but an all-time New York Stock Exchange volume record, which lasted for a year and a half. In the present instance, all we got was the ninth largest decline since the bull market began last August (The record, on October 25, 1982 was 3.5%) on a volume level that was noticably reduced from that which had been prevailing for the previous fortnight.

All this may have been due to the fact that the forecast in question was couched in considerably less apocalyptic terms than was its predecessor. Indeed, it expressed confidence in the long-term health of the market, but, according to the Wall Street Journal, expressed the opinion that stock prices might be headed for some months of interim weakness.

We have a certain tendency to be wary of opinions of this sort. As forecasters ourselves, we find it useful to engage in a bit of self-examination and to try to identify what we are really saying when we issue a forecast. Suggesting a significant interim correction while still looking for considerably higher levels is, it seems to us, in reality, saying something like the following: "I, of course, am clever and perspicacious enough to recognize the fact that the market is reasonably valued and headed higher. There exists out there, however, a herd of idiots, who are going to do me the favor of selling stocks down to lower prices so that I, in my wisdom, may take advantage of those lower prices and buy them". There are, unfortunately, two likely possibilities in such a scenario. The first is that the ignoramuses who are going to drive the market down are not really waiting out there in the wings. The other possibility is for the ignoramuses to turn out to be smarter than the forecaster.

At the moment, the opinion that a correction is imminent appears to be a fairly widely-held one. Based on the figures compiled by Investors Intelligence, Inc. as of April 12, three weeks ago, almost 50% of forecasters leaned in that direction. This was, interestingly, the highest percentage of forecasters expressing such a view since June, 1976. Historically, when the consensus opinion is basically bullish but favoring a near-term correction, one of two results tends to occur along the lines suggested above. Either the anticipated correction totally fails to materialize, or it does, indeed, emerge and then matures, along the way, into a full-scale bear market.

We think this principle has a good chance of holding in the present case. It remains, of course, to choose between the two alternatives, and regular readers of this letter will be aware of our firm belief in the former, more optimistic one. We find ourselves reminding our readers *ad nauseaum* that this particular bull market is only eight months old, and instances of bull markets with such a short lifetime are comparative rarities.

There indeed exists only one such to our knowledge, the "Baby Bull Market" of 1938. That particular upswing produced a 60% advance without substantial correction, over a seven-month period ending in November, 1938. The aftermath was a slow, steady erosion of prices which lasted for the next 3½ years and ultimately, in April, 1942, retraced the entire rise and brought the market back to a new low.

Now we think that comparisons between today and 1938 produce precious little similarity. For one thing, the recent rise has taken the Dow to new all-time peaks, while the 1938 market was only a partial recovery. Furthermore, the 1938-1942 period was essentially the product of an aborted economic recovery, and our own faith in the viability of the current expansion remains essentially unshaken. Thus our own skepticism regarding a significant correction followed by new highs. Such a view it seems to us is dangerously close to allowing the trees to obscure one's view of the forest.

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AWT:rs

Dow-Jones Industrials (12:00 p.m.)	1226.30
S & P Composite (12:00 p.m.)	165.30
Cumulative Index (5/5/83)	1888.81