TABELL'S MARKET LETTER

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Happy Birthday Bull Market, Happy Birthday to you.

We could not resist the above. It is precisely one year ago today that the Dow-Jones Industrial Average closed at what now seems like an incredible level of 776.92. Today it is 51% higher than that level, and, at its peak two months ago, it was 60% higher. It has, withall, been one of the stock market's better years. It is too bad that, on its birthday, the bull market finds itself suffering from a mild indisposition.

We have been commenting on the amazing market story, as it unfolded, in the last 52 issues of this letter. Very early on, a number of things became obvious. It became apparent, for example, almost at the outset, that the stock market of 1982 and 1983 was not playing by the rules of the 1970's. As the market rise paused, first in November and then in January, many analysts found themselves becoming nervous and proclaiming that the market was "in need of" a correction. No such correction, of course, ever materialized.

What we have been doing in this space for a year, essentially, is pointing out the differences between this particular bull market and bull markets of the recent past. The first major contrast became obvious early this year. For 17 long years cycle upswings had tended to peak around the 1000-plus level on the Dow. Beginning in February, the average began scoring new all-time highs, and it became evident, not only that we were in a conventional cycle bull market, but in a new super-cycle environment. Once this was obvious, further analysis was much like feeling one's way in the dark. The rules had clearly changed, but it was not immediately apparent precisely what the new rules were.

As an aid in solving this dilemma, we began looking further back in to history --- at the bull markets of the 1950's and early 1960's. One characteristic of these markets was that each moved, at its high, into significant new high territory, just as the present one has done. Another characteristic was that they tended to proceed to their conclusion with little in the way of interim correction. We have been speculating for some time that a similar pattern might emerge in the current market, especially when it failed to show significant signs of technical deterioration at the November and January consolidations. Based on recent action, however, it seems that such might not be the case.

A characteristic of recent cycle upswings has been their interruption by relatively deep intermediate-scale corrections. The last previous bull market, which ran from February 28, 1978 to April 27, 1981, is a case in point. It was interrupted by no fewer than three sharp and rather nasty declines, the "Halloween Massacre" in the fall of 1978, a 13.5% decline, a similar interruption of 11.25% in November, 1979, and the "Silver-Thursday" debacle of March-April, 1980 which produced a 16% drop. Interestingly enough, two of these interruptions, 1978 and 1980, came to an end in full-scale selling climaxes. Even more interesting, the actual bear-market low in February, 1978 went largely unanticipated and unrecognized, simply because it never produced such a climax. It is perhaps not coincidental that the low whose birthday we are today celebrating also failed to produce such a climax --- record upside action, yes, but upside action not preceeded by a downside washout.

It seems to us this is all worth keeping in mind in the present environment where, as we noted last week, we have just broken out of a rather substantial intermediate-term top with, as we then noted, downside objectives in the 1100-1050 range. Were the latter objective to be reached it would be a correction of just under 16%, and it could wind up looking suspiciously similar to the three interruptions in the last bull market mentioned above.

It could even wind up with a conventional selling climax. The last two major bottoms have demonstrated that the institutional investors who dominate today's market, unlike the individual investors of the past, are disinclined to engage in panic selling after a long decline. 1978 and 1980 would suggest that they are more likely to indulge in such behavior when they are in the position of having comfortably established profits which they wish to protect. Certainly they are in that position today.

We would not be surprised, therefore, to see the current weakness extend itself over the relatively short term and would be equally unsurprised by accelerating downside action and a typical selling-climax termination, probably producing all-time record volume. It would be most plausible for this to emerge in the 1100-1050 range, although it might emerge at a slightly higher level. Such a climax would undoubtedly be accompanied by the usual predictions of the end of the world, focusing on the current ostensible concern --- interest rates. It would, of course, provide the best buying opportunity since last August.

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AWT:rs

Dow-Jones Industrials (12:00 p.m.)	1180.89
S & P Composite (12:00 p.m.)	161.96
Cumulative Index (8/11/83)	1939.73