TABELL'S MARKET LETTER

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DIVISION OF

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MEMBER AMERICAN STOCK EXCHANGE

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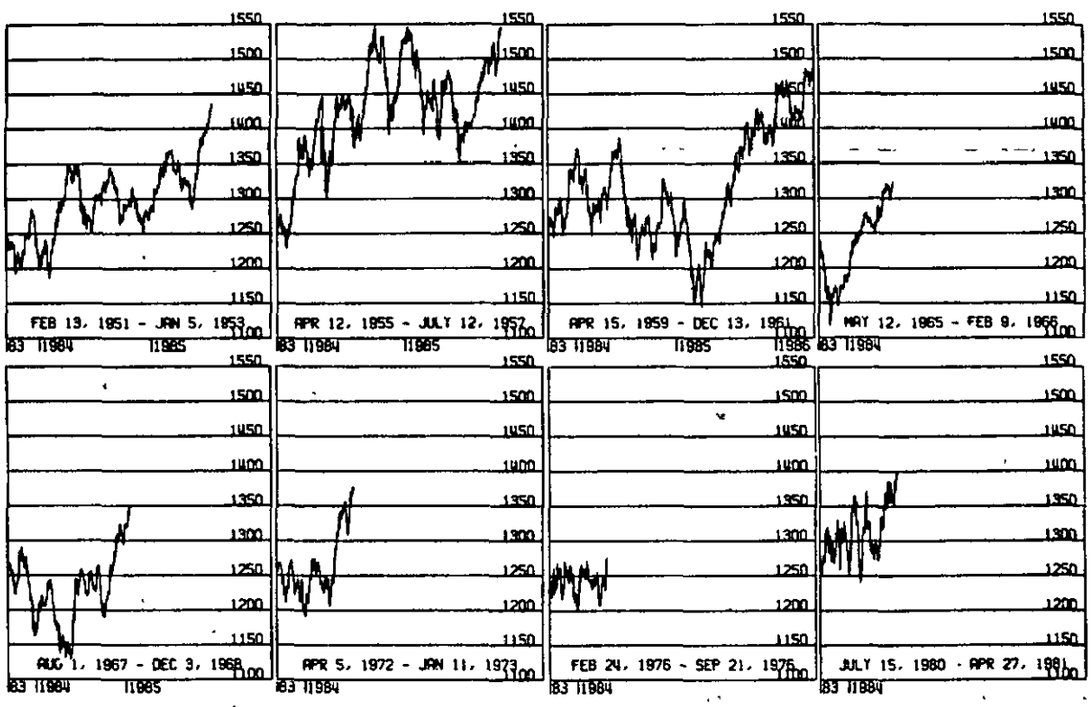
Accompanied by widespread hoopla in the financial press, the Dow-Jones Industrial Average moved on to a new bull-market high this week. The first such high posted, on Tuesday, was marginal, and the following day's trading failed to follow through. Thursday, however, saw a 14-point rise on reasonably decent volume to a decisive new closing peak of 1257.52.

Strength in the averages, coupled with noticable improvement in many individual stock patterns, renders less likely the emergence of an intermediate-scale correction, a development which, our readers are aware, we had regarded as a possibility. We are not, however, it seems to us, entirely out of the woods. The high in the Dow remains, so far, unconfirmed by accompanying highs either in the Transports or the S & P 500. Most importantly, it has produced, as we related at some length in our last issue, a classic breadth divergence.

The implications of this divergence are worth reiterating. First of all, as we noted last week, even assuming that it is the final divergence of the 1982-198? bull market, it does not suggest that this bull market is anywhere near its end in point of time. In every one of the last eight major-cycle advances, there has existed a final breadth divergence. However, it has occurred with leads ranging from 7 to 30 months on the ultimate bull-market highs. Thus, diverging breadth action at this stage is in no way inconsistent with cycle theory, which strongly suggests that the present upswing should continue at least into 1984 and probably 1985. What it does suggest is an advancing phase considerably less dynamic than the August-June, sixty-percent advance.



This is indicated by the charts above. They show the history of the eight previous bull markets from their first breadth divergence to their ultimate high, the dates of those two points being given on each chart. However, the charts have been adjusted to show the Dow in current terms, using Wednesday's close as a reference point, and the dating has been adjusted to run forward from that close. They thus represent eight possible scenarios for activity over the next one to two years. As can be seen, the eight market periods have some similarity, in most cases showing a potential high in the 1400-1500 range and a possible downside risk in the middle 1100 area. Fairly wide intermediate corrections are also a feature. While the scenarios shown are by no means poor, they definitely represent a change from the market environment of the past year.

AWT:rs

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Dow-Jones Industrials (12:00 p.m.) 1254.17
S & P Composite (12:00 p.m. 169.38
Cumulative Index (9/22/83) 2042.00