

# TABELL'S MARKET LETTER

*Delafield, Harvey, Tabell Inc.*

909 STATE ROAD, PRINCETON, NEW JERSEY 08540

MEMBER NEW YORK STOCK EXCHANGE, INC  
MEMBER NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC  
(609) 924-9660

November 11, 1983

~~Any structure, no matter how large and complex, can be broken down almost infinitely~~ into individual components. This applies to the stock market, where it is a truism that long-term moves can be separated into a series of short-term rallies and declines. We find ourselves, at the moment, 15 months into the bull market which began on August 12, 1982. Applying a filter technique with a filter threshold of a bit over 3% to that market, we find that it can be broken into 20 separate components, 10 short-term rallies and 10 short-term declines.

What is interesting is that it requires only miniscule changes in the nature of these components to produce quite a drastic alteration in the long-run picture. Between August, 1982 and May of this year, the Dow advanced 58% over some nine months. For the six months from May 6 through Monday, the short-term low to date, it was actually down slightly. It is worthwhile looking at the change in the nature of the short-term swings that have produced this rather dramatic reversal of market behavior. Some of the relevant statistics are summarized in the table below.

	Advances 8/12/82-5/6/83	Advances 5/6-11/7/83	Declines 8/12/82-5/6/83	Declines 5/6-11/7/83
Number of Moves	7	3	6	4
Average % Change	+12.07%	+ 6.75%	-5.26%	-5.10%
Largest % Change	+20.32%	+10.45%	-6.99%	-6.48%
Average Length-Trading Days	20	18	8	18
Longest Length-Trading Days	72	44	14	22
% Change Entire Period	+58.65%	- 1.44%	+58.65%	-1.44%
Length - Entire Period	186	128	186	128

The upswing from last August to this May lasted 186 trading days and consisted of seven ~~advances and six declines.~~ The average advance was 12% over 20 trading days. The largest was the take-off rally of August 9, and the longest the 72-day advance from January through May of this year. The declining phases during this period averaged 5% and lasted for a mean of eight days. This whole structure combined to produce one of the more dynamic bull markets in history.

The components did not have to alter greatly to produce a market that has done nothing for six months. What has happened is that the average rise in the three advancing phases since May has been cut in half, to 6.75%, although the average length of advancing phases has remained about the same. Interestingly enough, the average decline for the four short-term drops since May has been less than the average decline prior to May, only 5.1%. The most significant change is that the decline phases have lasted longer. The Dow declined for 22 days from May 6 through June 8, 21 days from June 16 to July 18, 9 days from July 26 to August 8, and, to date, 20 days from October 10 through Monday. While declines in the bull market's early stage were often over in a bit more than a week, recent ones have tended to last almost a month. The change in market environment, therefore, has consisted of a switch to smaller, although not necessarily shorter, advances and longer, although not necessarily deeper, declines. This small change has produced the switch from a dynamic bull to a sideways market.

What is perhaps relevant over the short term is that a bottom on Monday of this week would fit the decline ended on that date squarely into the context of its three predecessors since May. It would wind up being 20 days long, involving a 5.4% drop. Many short-term indicators had, at some stage of the game, reached levels associated with the bottoms of the last three declines and, moreover, have acted somewhat better on the recent fall than was the case last August. Indeed, despite continued declines in the Dow, downside volume, for example, peaked on October 31 and has been declining noticeably ever since. Declines, measured on a 10-day basis, topped out on October 24 and have also been improving since that time. In other words, a short-term rally attempt from current levels would be entirely consistent with the market environment we have seen since last May.

ANTHONY W. TABELL  
DELAFIELD, HARVEY, TABELL INC.

AWT:rs

Dow-Jones Industrials (12:00 p.m.) 1242.17  
S & P Composite (12:00 p.m.) 164.40  
Cumulative Index (11/10/83) 1968.54

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. Delafield, Harvey, Tabell 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. Delafield, Harvey, Tabell 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.