TABELL'S MARKET LETTER

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Our regular readers are aware that this letter tends to be a slave to tradition. They are further aware that one such tradition calls for the issuance, in December, of a two-part year-end forecast, the first part reviewing the year past and the second attempting to look a year into the future. This week we are scheduled for a review of the past year, and we intend to indulge in a bit of license. First of all, it seems to us two separate reviews, covering two wildly divergent recent periods, are necessary, and, secondly, we intend to extend the timespan under analysis a bit longer than a year, carrying it back to August 12, 1982.

The first of the two stock-market periods we think it necessary to cover began on that date, and its end can be dated, with equal precision at June 16, 1983. In almost 30 years of writing about the stock market, we cannot recall an era on which it was more enjoyable to comment, and the records which were shattered along the way were a source of endless fascination to a student of stock-market history.

The fun began on August 17, with an advance of 38 points in the Dow, the second biggest one-day percentage rise of the post-war period. The next day's volume topped 100 million shares for the first time in market history, shattering the previous record by some 40%. That level of trading has subsequently been exceeded only five times and not by much. Indeed, this particular statistic was one of the first clues that a new era was being ushered in.

For the eight days ended August 26, the Dow was up almost 100 points, the advance setting another post-war record, with records also being achieved in both volume and breadth. By September 15, less than five weeks after the process had started, the advance had reached the 20% threshhold by which technicians have historically defined major bull markets, and, by early October, the Dow found itself above the 1000 level, having moved ahead 236 points in a couple of months. By November 4, a new all-time high had been achieved.

That high shortly receded into history. The 1982-1983 year-end rally extended itself to a sustained six-month, 26% advance, reaching 1248.30 on June 16. By the time the whole process was over, the Dow was up 60.67% over ten months. That period measurably constituted the best ten-month performance turned in by the stock market since 1933-1934, and, even if the market had never moved on to new highs, the ten months from August, 1982 to June, 1983 would, by themselves, have constituted one of the better bull markets in recent history.

Even more astounding, while the Dow was in the process of shattering all available upside records, it was not where the action was. The real fireworks were taking place over the counter, where the NASDAQ Industrial Index was posting an advance of 129%, while new-issue activity and volume were also setting records. The rise in that capital-weighted index probably understated the true magnitude of the advance, and moves of 400-500% were not uncommon.

As we noted above, the end of that particular era can be exactly dated in mid-June, and it is necessary separately to review what has happened since. What has happened can be summarized by one word, "Nothing." The Dow has continued to post new highs, the last one as recently as November 29, at 1287.20. During the period from June 16 to date it has held in a trading range bounded by that high and the August 8 low of 1163.06, a span of just over 10%. As just about everybody who can read is aware, the performance of the Dow, lackluster at best, has been better than that of most averages. The S & P 500 staggered to a new high in October and has not been able to exceed it since. Ever since June, broad market measures have managed to perform considerably worse than the senior indicators, creating the widely-heralded divergence. Meanwhile, the OTC market has performed a 180-degree turn from the heady ebullience of last summer and currently finds itself in total disarray, with the NASDAQ Index down 23%, a figure which, again, probably understates the case. An investor in June might well have thought he had rediscovered Golconda. By December, he was probably asking the market impatiently, "What have you done for me lately?".

This dichotomy, it seems to us, is an essential component of a 1984 forecast. Is the desuetude of the last six months simply a corrective process, one sorely needed in the light of the unprecedented rise which came before it, or is it part of a monster distributional top which threatens to take back a substantial part of the riches amassed since last year? What is the meaning of the widely diverging performances in the quality and the secondary sections of the market? Most important, where does the action of the past 16 months fit in to an historical timeframe? We will assay our own answers to these questions next week.

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Dow-Jones Industrials (12:00 p.m.)	1238.21
S & P Composite (12:00 p.m.)	161.84
Cumulative Index (12/15/83)	1993.78