

TABELL'S MARKET LETTER

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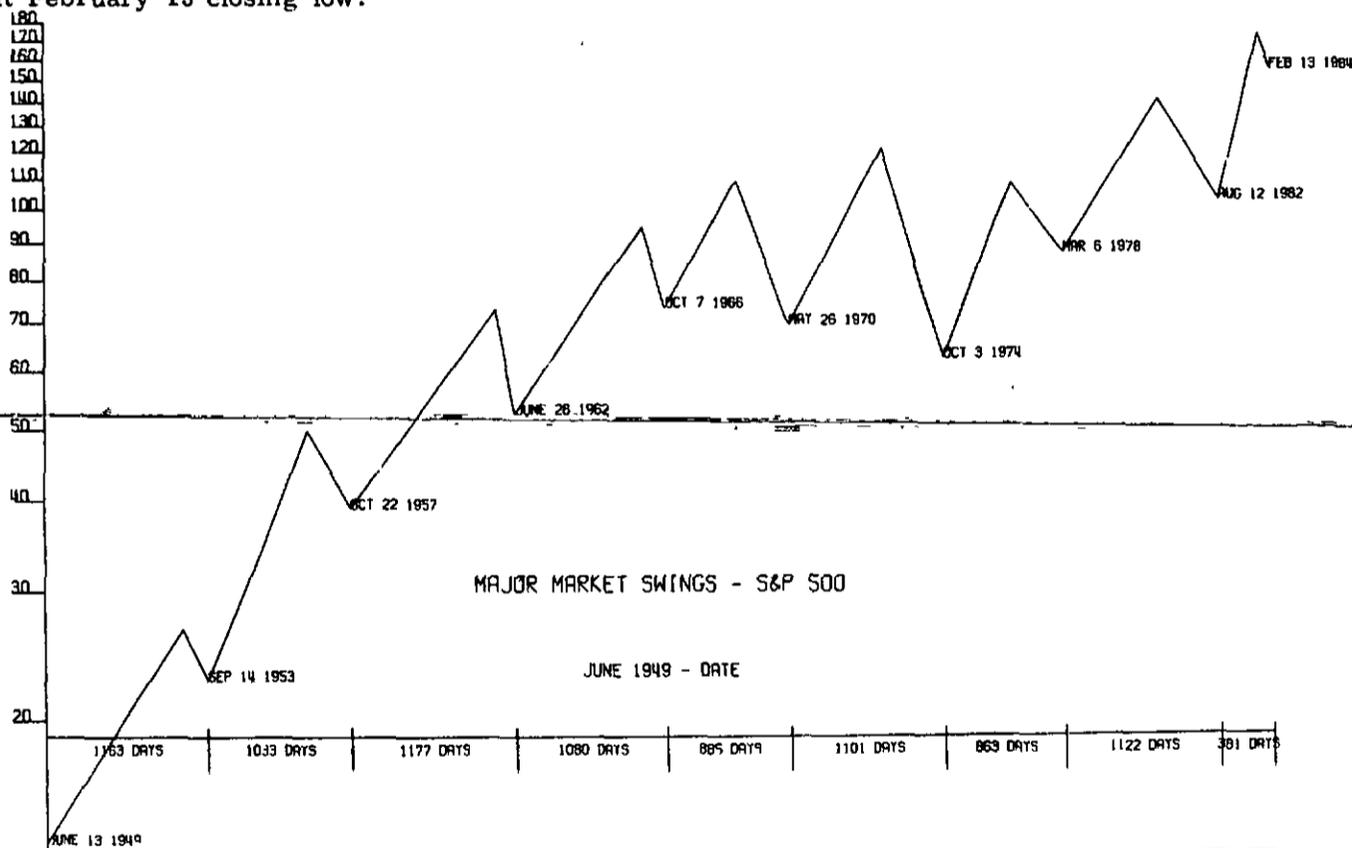
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Years ago Lyndon Johnson used to ask if there was such a thing as a one-armed economist because he could never ask a question concerning the economy without a reply including the phrase "on the other hand". Recently, market technicians seem to be guilty of the same type of response when asked to comment on the current condition of the stock market. In order not to be guilty of such an accusation, it is perhaps worthwhile stepping back and trying to reassess the longer-term picture of the stock market.

The chart below attempts to do this. It shows our interpretation of what constitute the major swings in the S & P 500 from June, 1949 to date. It is drawn to scale both horizontally and vertically with the vertical scale being logarithmic so that equal percentage changes show up as equal vertical distances. The horizontal scale is based on trading days and covers some 8805 days ending at the recent February 13 closing low.



The length of each completed cycle in days is shown at the bottom of the chart, the cycles being measured from low to low. The consistent length of the swings to date is quite interesting and explains the popular, if not quite exact, concept of the "four-year" cycle, there being approximately 1020 trading days in a four-year period. Most analysts would agree, we think, with the interpretations shown on the chart through 1982. For the most recent period, not surprisingly, all the evidence is not yet available.

We have chosen the date August 12, 1982 as the end of a completed cycle, 1122 trading days in length. This is somewhat longer than the others but not out of line when contrasted with the experience of the entire century. If our interpretation is correct, the new major cycle which began on August 12, 1982 is now only 381 trading days old. As the chart shows, this is barely over one-third of its expected length of 1053 days based on the average of all the completed cycles shown.

To our mind, the crucial issue is interpreting the cycle which we date as beginning less than two years ago. As the chart quite clearly shows, the four cycles through 1966 spent the bulk of their time in advancing phases. The four completed cycles since have tended to peak around the middle of their term. If the current cycle follows the pattern of those four recent ones, an imminent or even past peak is a logical expectation. If, on the other hand, it conforms to the earlier cycles and spends the bulk of its life in an advancing phase, a great deal more room exists on the upside. We, therefore, intend to try to dissect this cycle further next week.

RJS:rs

ROBERT J. SIMPKINS, JR.
DELAFIELD, HARVEY, TABELL INC.

Dow-Jones Industrials (12:00 p.m.) 1159.55
S & P Composite (12:00 p.m.) 156.26
Cumulative Index (2/16/84) 1928.47

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