

# TABELL'S MARKET LETTER

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We offer, herewith, a gratuitous piece of ammunition to those critics who, over the years, have been skeptical of the forecasting record of this letter. All they need to do is correlate market activity with those times we have chosen to take vacations.

A year and a half ago, in the midst of a market that was posting a series of new lows in a rather desultory fashion, we took the opportunity to spend a week in the White Mountains. In the middle of that week, August 17, 1982, there occurred one of the largest rallies in stock-market history and the one that marked the start of the strongest bull market in a couple of decades. For the beginning of 1984, we scheduled a six-week cruise to Antarctica. Prior to our departure, in late January, the Dow had moved down marginally from a high of 1286.64 on January 6, within an ace of its all-time high at 1287.20 in November, and what appeared to be only a minor interruption of a typical year-end rally was occurring.

Unfortunately, as we headed South, the market did the same thing. By February 22, the DJIA had posted a closing low of 1134.21, down just over 11.8% from the double top formed in November-January. It fell to our colleague, Robert Simpkins, to interpret for our readers this first crack in the generally euphoric atmosphere which had characterized the market since summer of 1982. In the process, he drew attention to what seems to us to be the crucial factor in analyzing the current market environment.

That factor is time. It is patently obvious that a major stock-market cycle commenced precisely on August 12, 1982. Such cycles have, over the years, produced an average length measured from low to low of four years. They have tended to spend at least 50%, and often a great deal more, of their lifetime in an advancing phase. It is extremely difficult to square this historical pattern, as Bob aptly pointed out in a series of charts in this space, with the market's posting its ultimate top in November, 1983, only 15 months after the rise began.

Something, however, is unquestionably going on. A decline of 11.8% in the Dow, while not the end of the world, is, to say the least, unsettling. The drop, moreover, was noticeably broad with almost all groups participating to a greater or lesser degree in February's weakness. However, a decline of the proportions of the recent one, indeed of even greater proportions, is hardly without precedent within the context of an ongoing bull market. Indeed, every bull market of the post World-War II era, with a single exception of June, 1962-February 1966 has been punctuated by at least one decline approximately equal to, or in many cases, greater than the magnitude of the current case. We think a case can be made, and we will be developing it further in future issues, for placing the current weakness in this context, with similarities to, for example, summer 1956, early 1960, or late 1967-early 1968.

Such periods of weakness have, in the past, possessed certain common characteristics. They tend to occur, first of all, in the maturing stages of bull markets --- not particularly disquieting at the moment, since no one is pretending the current upswing is still in the full bloom of youth. Secondly, they have often persisted for protracted periods of time, certainly longer than January to date and generally longer than from November to the present.

We are, thus, led to the question of whether the current process is, in fact, over. We would hesitate at this stage to say that such was the case. There is some persuasive evidence that an effective bottoming process began with the February low. Whether or not that low will be the ultimate bottom is another question. In any case, sufficient technical damage has been done so that a basing process is almost a necessity before substantial upside progress can be made. Friday's strength could indeed be part of that basing process. With the foregoing caveat in mind, we suspect that the cycle upswing, which began in August, 1982, has not yet breathed its last.

AWT:rs

ANTHONY W. TABELL  
DELAFIELD, HARVEY, TABELL INC.

Dow-Jones Industrials (12:00 p.m.) 1187.60  
S & P Composite (12:00 p.m.) 160.04  
Cumulative Index (3/15/84) 1948.00

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