

# TABELL'S MARKET LETTER

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Thursday's bizarre action, with the Dow up 26 points and last-hour volume one of the highest figures for the bull market, does not, by itself, change the desultory short-term market picture. Rather, it provides the ground work for future improvement in that picture should major breadth and volume indicators be able to follow through.

The key question is not a short-term forecast, but rather the nature of the process in which we now find ourselves. It has been the position of this letter, based on the study of past market cycles, that that process is a correction in an ongoing bull market rather than a cycle bear market. Let us document our reasoning a bit further.

START DATE	DJIA	HIGH DATE	DJIA	LOW DATE	DJIA	TOTAL MOS	MOS ADV	MOS ADV	% ADV	% DEC	LOW OF PREV	HIGH OF PREV
JUN 1896	30.22	APR 1899	54.90	JAN 1901	48.94	55	34	62	82	-11	0	0
JAN 1901	48.94	JUN 1901	57.10	NOV 1903	32.47	34	5	15	17	-43	162	104
NOV 1903	32.47	JAN 1906	73.76	NOV 1907	42.79	48	26	54	127	-42	66	129
NOV 1907	42.79	NOV 1909	70.34	OCT 1911	55.52	47	24	51	64	-21	132	95
OCT 1911	55.52	DEC 1912	64.37	MAR 1915	60.83	41	14	34	16	-6	130	92
MAR 1915	60.83	NOV 1916	105.97	DEC 1917	74.38	33	20	61	74	-30	110	165
DEC 1917	74.38	OCT 1919	118.92	AUG 1921	67.11	44	22	50	60	-44	122	112
AUG 1921	67.11	MAR 1923	102.75	JUL 1923	86.91	23	19	83	53	-15	90	86
JUL 1923	86.91	SEP 1929	343.45	NOV 1929	238.95	76	74	97	295	-30	130	334
NOV 1929	238.95	APR 1930	279.23	JUL 1932	54.26	32	5	16	17	-81	275	81
JUL 1932	54.26	FEB 1934	103.46	SEP 1934	92.63	26	19	73	91	-10	23	37
SEP 1934	92.63	MAR 1937	186.41	APR 1938	111.28	43	30	70	101	-40	171	180
APR 1938	111.28	NOV 1938	149.82	APR 1942	95.35	48	7	15	35	-36	120	80
APR 1942	95.35	JUN 1946	205.62	NOV 1946	169.89	55	50	91	116	-17	86	137
NOV 1946	169.89	JUN 1948	189.46	JUN 1949	167.42	31	19	61	12	-12	178	92
JUN 1949	167.42	JAN 1953	289.77	SEP 1953	264.04	51	43	84	73	-9	99	153
SEP 1953	264.04	JUL 1957	508.52	DEC 1957	435.69	51	46	90	93	-14	158	175
DEC 1957	435.69	DEC 1961	731.14	JUN 1962	561.28	54	48	89	68	-23	165	144
JUN 1962	561.28	JAN 1966	983.51	OCT 1966	807.07	52	43	83	75	-18	129	135
OCT 1966	807.07	DEC 1968	943.75	MAY 1970	700.44	43	26	60	17	-26	144	94
MAY 1970	700.44	JAN 1973	999.02	DEC 1974	616.24	55	32	58	43	-38	87	106
DEC 1974	616.24	SEP 1976	990.19	MAR 1978	757.36	39	21	54	61	-24	88	99
MAR 1978	757.36	APR 1981	997.75	JUL 1982	808.60	52	37	71	32	-19	123	101
AVERAGE - JUNE 1896-MAR 1978						45	29	61	72	-27	127	125
AVERAGE - NOVEMBER 1946-MARCH 1978						47	35	72	55	-20	131	125
AVERAGE - OCTOBER 1966-MARCH 1978						46	26	57	40	-29	106	100

The above table (in slightly different form) last appeared in this space in May, 1982 --- in circumstances directly opposite to those today, since we were then probing for a low yet to occur, rather than attempting to determine whether a prior peak constituted a major high. The statistics can be, however, useful in both circumstances. They show some relevant numbers, based on month-end closing prices, of the 23 completed major stock-market cycles since the Dow was first computed in 1896.

The present cycle, on a month-end basis, began in July, 1982 and has continued, to date, through November. The advance so far has been 58%, and in terms of percentage advance, there is nothing in the table to contravene the thesis that the rise so far could have completed a bull market. Although the average advance for all 23 cycles is 72%, the cycles since World War II have shown smaller average percentage advances than has the recent rise and the cycles since 1966 smaller ones still. It is when we look at the time factor that the thesis of a bull market which ended last November runs into difficulty.

As can be seen from the table, the average length of the advancing phase of the 23 cycles has been 29 months, with the post-war cycles a little longer. Through November, the current cycle had moved ahead for only 16 months. Now there are, as the table shows, four previous cycles that have posted shorter runs. The most recent one, however, was 1938, the previous one was the 1929-1932 bear market, and the other two go back into the early part of the century. It is difficult to envision those experiences being terribly relevant to today's conditions.

An even stronger argument is provided if one manipulates two of the columns in the table. The one headed "total months" shows an average cycle length, from low to low, of some 45 months, giving rise to the popular term "four-year cycle". It also shows that the average cycle spends 60% of its lifetime in an advancing phase. If the period July, 1982-November, 1983 constituted 60% of the current cycle, it will wind up being only 26 months long, half the length of the last one, 60% of the average length, and shorter than any cycle in history other than 1932-34. We must confess we regard this as unlikely.

It is interesting to speculate on the timing of the present cycle were it to conform exactly to the average of this century. If it lasts for precisely 45 months, the next major bear-market low will be seen in March, 1986. A 29-month advance would place the ultimate peak in December of this year, to be followed by a bear market which would consume most of 1985. There is obviously a great deal of room for variance in these figures, but we think that variance is unlikely to be so great as to make a late-1983 major top a credible hypothesis.

AWT:rs

Dow-Jones Industrials (12:00 p.m.) 1155.98  
S & P Composite (12:00 p.m.) 158.83  
Cumulative Index (4/12/84) 1944.79

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