TABELL'S MARKET LETTER

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March 22, 1985

Recent comments in this space have referred to the maturity of the current bull market. The date of that bull market's birth is of course firmly fixed in market history. It is August 12, 1982. Its minimum lifespan is also a matter of record. The DJIA touched a closing high on March 1, with the corresponding high for the S & P 500 taking place a couple of weeks earlier on February 13. In terms of the Dow, then, the current upswing is 31 months old.

It has not been our intention, in pointing out that the advance has entered into middle age to suggest its imminent demise. Indeed, inspection of individual stock patterns at the moment reveals almost nothing in the way of the sort of advanced-stage top formations which one would expect toward the tail end of a major market advance about to turn up its toes. The potential beginnings of such formations indeed exist in a few cases, but even these, at the moment, constitute an infinitesimal minority and could be destroyed by any display of further strength.

One of the characteristics of advanced middle age, however, is a tendency to settle into a rather comfortable routine, and this the bull market seems to have done. This has some implications, it seems to us, as far as its continued vitality is concerned. One of the exciting things about the early stages of any given bull market is the emergence of new and dynamic leadership. This is a quality which seems to be conspicuously lacking at the moment, and that lack makes it difficult to formulate a precise scenario for the remainder of 1985, or, more importantly, beyond that as we look ahead toward the shape of the next major market cycle.

The above statement can be clarified by looking at the dynamics of individual stock groups. Leaders in any given bull market tend to demonstrate a number of characteristics. First of all, quite obviously, they tend to out-perform the averages during the advance's entire lifespan. Secondly, they tend to be relatively invulnerable to corrections which take place within the framework of the major upswing. There was a special opportunity to demonstrate this characteristic in the current cycle, since an unusually deep intermediate-term correction interrupted the advance between Fall, 1983 and Summer, 1984. Thirdly, it is often the case that leading stocks begin to outperform the market on the previous cycle, often demonstrating resistence to the bear market preceding the upswing.

There exist a number of areas which have demonstrated all of these characteristics in the course of the current rise. In terms of industry groups, a by-no-means-all-inclusive list would include Aerospace, Automobiles, Soft Drinks, Containers, Foods, Life Insurance, Newspapers, Restaurants, Tobaccos, Electric Utilities, and Regional Banks. Most stocks in these groups have conformed to the above criteria in an almost textbook fashion. Their components, at least until recently, were conspicuous by their frequency on the new-high list, and, by and large, they corrected only mildly or indeed continued to make upside progress in the trying period of late 1983 and early 1984. Likewise, a characteristic of many of the stocks in this group has been that their advance can be dated, not from August, 1982, but from the early part of 1980. This date, interestingly enough, was midway through the previous bull-market cycle which ran from February, 1978 to April, 1981. The groups mentioned above participated fully in the latter part of that cycle, and in addition remained largely resistent to the 1981-1982 bear market.

On the plus side, as far as many of these issues are concerned, is the fact that they do not appear to be fundamentally exploited. Often one of the attributes of bull-market leadership is that a major portion of that leadership's rise can be attributed to an advance in earnings multiples and only a minor portion to earnings progress *itself, the classic example being the* case of the "nifty-fifty" growth stocks in 1970-1973. Although the groups mentioned above tend to show somewhat higher p/e's today than they did five years ago when their leadership phase commenced, the multiples do not seem to be all that different. To this extent the rise has been soundly based.

Our own attitude toward all of this, of course, has been simply to recommend the adaption of a portfolio posture weighted heavily in favor of the leading groups mentioned above and to relax and enjoy it. Such continues to be our recommendation. It would however, at least, be interesting and instructive for the market student to see new faces coming to the fore.

The emergence of such new leadership would suggest a rather healthy prolongation of the current bull market and would also afford the technician some clue as to future long-term supra-cycle investment opportunities. That leadership, to date, at least, has refused to emerge.

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Dow-Jones Industrials (12:00 p.m.)	1270.54
S & P Composite (12:00 p.m.)	179.59
Cumulative Index (3/21/85)	2355.50