

# TABELL'S MARKET LETTER

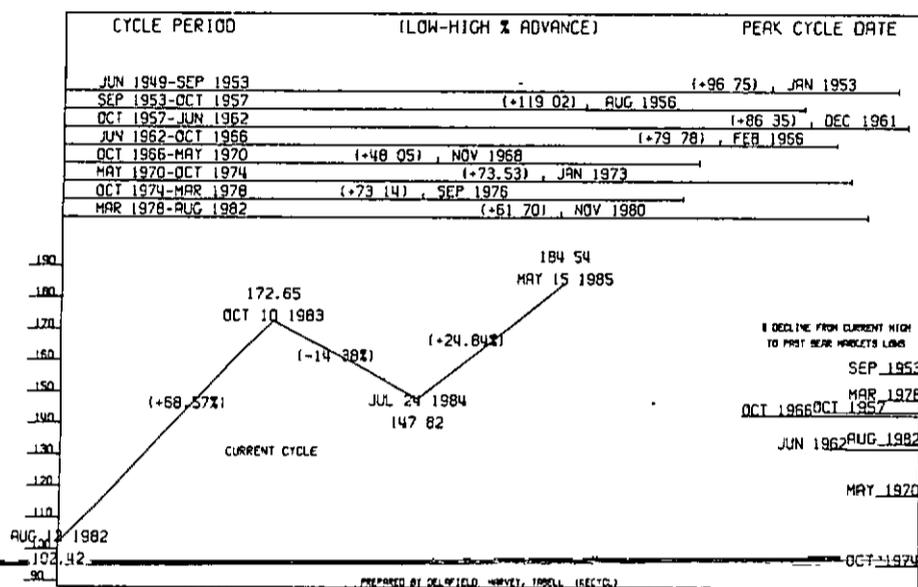
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We will, this week, duly join most technical writers in celebrating a new bull-market high in recognition of the fact that such a high was indeed attained by the Standard & Poors 500. It therefore seems as good a time as any to drag out, once again, an updated version of the chart below, which has appeared in this letter a number of times in the past and may well appear again before the entire process is over.



That process is the current major market cycle which began on August 12, 1982 at 102.42 and, interrupted by the October, 1983-July, 1984 intermediate-term correction, carried to 184.54 as of Wednesday, an 80% advance. We identify this as the 24th such major cycle since 1896, and the history and shape of the eight previous cycles is shown by the horizontal lines at the top of the chart. The lines are drawn to the same horizontal timescale as the chart itself, and each cycle is measured from low to low. The high for each cycle is shown by a hash mark along with its date and the total percentage advance.

It is well known that past cycles have averaged just under four years in length. Furthermore, the vast majority of all previous cycles have spent something between 50 and 90% of their total lifespan advancing. Now these figures are admittedly imprecise but, when applied to the current instance they suggest a cycle peak in the latter half of 1985, or, at the latest, early 1986.

The eight previous cycles shown on the chart reinforce this. In terms of length, the present upswing has lasted longer than all but two of the past eight bull markets (1949-1953; and 1962-1966). Its percentage advance likewise is greater than that demonstrated on the five most recent upswings. We have noted repeatedly that comments of this nature are for perspective only, suggesting the strong possibility of a major peak's being attained sometime in the next nine months. The internal loss of momentum which should proceed such a peak has occurred, so far, only to a limited degree.

There exists an argument, advanced by some cycle theorists, which could vitiate the above reasoning --- the theory that August, 1982-July, 1984 constituted a completed cycle, in which case we have been, for the past year, in the first leg of a brand new bull market. This argument has a few points to commend it, but we must confess we remain skeptical. A cycle completed within 23 months has only one historical precedent, a pattern formed by recognizing a four-month bear market in March-July, 1923 in order to divide the August, 1921-September, 1929 period into two separate cycles. We think it far more convincing to regard Fall, 1983-Summer, 1984 as an intermediate-term correction in a bull market context.

The argument is, in any case, purely academic. Momentum indicators, for the time being at least, favor the fully-invested position advocated in this space for the past two-and-a-half years. Our precise cyclical position as of May, 1985 can be left for theoreticians to identify at a later date.

AWT:rs

Dow-Jones Industrials (12:00 p.m.) 1281.80  
S & P Composite (12:00 p.m.) 188.13  
Cumulative Index (5/16/85) 2450.33

ANTHONY W. TABELL  
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