TABELL'S MARKET LETTER

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We try, in this space, to avoid the temptation to turn avuncular, but we cannot change the fact that we have been writing financial commentary (and reading it) for more than 35 years. Since there is little new under the sun, it is easy to predict the sort of thing one will hear after the market has been going up for quite a while as is the case at present. As surely as death and taxes, there will emerge pronouncements informing us that the market is "in need of" a correction.

We are not sure why this is so. It may be that there remains buried deep in our psyche some remnant of the puritan ethic, which, essentially, holds that it is sinful to have fun. It is almost as if a rising market constituted a manifestation of illness which could be cured only by periodic doses of unpleasant medicine. However, a look at the facts of market history suggests that protracted, uncorrected rises are, first of all, perfectly normal phenomena and, secondly, tend to be signs of market health rather than sickness.

In the present case, the period of time during which the market has failed to undergo a "needed" correction can be dated back to November 16, 1988. Since then, over exactly 200 trading days, the Dow rose 35% to a high reached a week ago without a single correction of as much as 5%, the biggest interruption being a three-week hiatus involving a 4.44% correction last March. Since that time, the rise has been even steadier, with the Dow moving ahead 22.69%, while the largest correction was a 3.63%, five-day affair in June. The point that needs to be made is that this behavior is in no way unusual. Every bull market in modern stock-market history has produced a protracted rally not unlike the present one, and in many instances, that rally has greatly exceeded the current advance in both time and extent. The table below shows some figures.

LONGEST RALLY

Bull Market Start Date	Start Date	Days After Bull Mkt Start	Percent Advance	Length In Days	End Date	Bull Market End Date	Days Later
Jun 13 49	Jun 13 49	0	41.32	282	Jun 12 50	Jan 5 53	705
Sep 14 53	Sep 14 53	0	60.04	326	Jan 3 55	Apr 6 56	318
Oct 22 57	Dec 17 57	38	59.31	410	Aug 3 59	Dec 13 61	595
Jun 26 62	Nov 22 63	356	32.06	370	May 14 65	Feb 9 66	187
Oct 7 66	Oct 7 66	0	22.21	145	May 8 67	Dec 3 68	373
May 26 70	Jul 7 70	29	42.05	205	Apr 28 71	Jan 11 73	431
Dec 6 74	Oct 1 75	206	28.93	140	Apr 21 76	Sep 21 76	106
Feb 28 78	Apr 21 80	542	28.38	107	Sep 22 80	Apr 27 81	149
Aug 12 82	Jan 24 83	114	21.17	100	Jun 16 83	Nov 29 83	115
Jul 24 84	Dec 7 84	96	59.55	343	Apr 21 86	Aug 25 87	341
Oct 19 87	Nov 16 88	274	35.00	200	??	??	???

Shown in the table is the longest rally for the ten most recently completed bull markets plus figures for the current one to date. For the purposes of this exercise, a rally is defined as an advance without any 5% correction. Six of the past ten bull markets produced rallies of this type lasting longer than the current one has so far, the longest of these running for 410 trading days, from December, 1957 to August, 1959. Five such rallies produced greater percentage advances than this one has shown so far, including rises of approximately 60% in 1953-1955, 1957-1959, and 1984-1986. The other advances were not too different in character than the current case, the smallest one being a five-month, 21% rise in January - June 1983. Through the mid-1960's there appeared to be a tendency for the longest rally of a bull market to be the first one, starting either from the low or from a test within a couple of months of that low. More recently, the tendency seems to have been for the longest rally to begin much later (viz December, 1957 or July, 1970). This one, having started November 16, 1988, over a year after the October 19, 1987 low, is typical.

What is, perhaps, most interesting is that in no case has the end of a long rally signified the bull market's end. The last three columns of the table show the end date of each upward cycle's longest rally, the actual end date of the cycle, and the intervening number of days. The shortest interval between the rally's end and the bull-market peak was five months in April - September, 1976, and there have been cases where the advance continued for as much as two and a half years following the long rally's completion.

At the current stage, therefore, although a short-term correction would be consistent with past history, there is no particular reason to expect one. Such a correction, moreover, were it to occur, would, at worst, constitute an extremely early warning of the termination of the present bull market.

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Dow Jones Industrials (12:00)	2693.20
S & P 500 (12:00)	346.13
Cumulative Index (9/7/89)	4929.50

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