

December 2, 1944

TECHNICAL MARKET ACTION

This letter, the first of a series to be issued at short intervals, will attempt to forecast the price trends of the general market averages, and, on occasion, will recommend purchases or sales of individual securities, either for intermediate term holding or for short term trading.

The opinions expressed will be based not on the fundamental or statistical outlook for the securities or commodities mentioned, but simply on the writer's interpretation of their technical market action, as shown on charts and graphs of the market averages and individual securities. Summarized briefly below is the technical outlook for the major, intermediate, and minor trend of the market.

The major trend of the market is favorable. Over the longer term, substantially higher levels are indicated for both the industrial and rail averages. The rail average, from a technical viewpoint, is in a definite uptrend, and a price level approximately in the 65-70 zone of the Dow-Jones rail average (now 43) is indicated. The industrial average has not, as yet, definitely confirmed the uptrend, but the action of individual industrial issues tends to substantiate the belief that such a confirmation will eventually occur.

The intermediate trend of the market is uncertain. The first phase of the bull market started in April, 1942, and ended in July, 1943. During that fifteen-month period, the Dow-Jones industrial average rallied approximately 53 points, from 93 to 146. After a 16 point decline to 130, the second phase of the bull market started in November, 1943, and has so far reached a high of approximately 151 in July, 1944. The present level is approximately 147 1/2. Whether or not this second phase is completed is not clear. By passing the July high last week, the rail average re-confirmed the uptrend and indications point to a possible advance to the 45 level before another resting period. The industrial average, however, has been unable to penetrate not only the July high of 150.88, but also the August high of 149.28 and the October high of 149.20. Penetration of these highs would indicate an extension of the second phase to at least the 153-155 level for the industrial average. The downside point to be watched is the September low of approximately 142 1/2. Penetration of this low would indicate a further reaction to the 138-137 area in the industrials. Briefly, the outlook for the next four to six months envisions a comparatively narrow trading range, bounded by the extremes of 155 and 137 on the industrial average, although there is no indication, as yet, that these extremes will be reached. During such a period of uncertain price fluctuations, better profit possibilities should be found in special situations rather than the general averages or market leaders.

The minor trend, as measured by the daily or even weekly fluctuations of the averages, is always difficult to interpret technically, and is, in the writer's opinion, the least profitable to follow. It will be mentioned, however, in these letters and in special releases. At the moment, the minor trend in the rail average is up. There is no definite trend in the industrial average. For the past six weeks, this average has fluctuated aimlessly in a narrow area between roughly 149 and 145. Until these points are penetrated, there is no indication of the direction of the next minor move in the average. Here again, from a trading viewpoint, special situations should outpace the market leaders.

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The opinions expressed in this letter are the personal interpretation of charts by Mr. Edmund W. Tabell and are not presented as the opinions of Shields & Company.