

February 1, 1945

TECHNICAL MARKET ACTION

The utility average, at Thursday's close of 27.35, approximately equalled the August 1939 high. This group, and a number of special issues, have featured the market so far this week. During the same period, the industrial and rail averages have more or less marked time. The industrials have held in roughly the 153-154 range and the rails between 47 and 48.

Expect a continuation of the trading area in the industrial average with specialties featured on the upside. Until a new formation is built up in this average, 156 on the upside and 150 on the downside should mark the limits of the trading range. Unusual news happenings might extend the range a few points in either direction.

A number of special issues show interesting technical formations. One of these is Radio Corporation. Since reaching 12  $\frac{3}{8}$  in July 1943, Radio has done little marketwise. The low since that date has been around 8  $\frac{1}{2}$ , but during the eighteen months period since July 1943, a great deal of the time has been spent in the 10-11 range. The formation built up is potentially bullish. The bullish pattern would be confirmed if the stock is able to penetrate the resistance around the 12 level. Advise purchase of Radio if a price of 12  $\frac{1}{2}$  is reached.

Profit taking on recommended railroad issues was advised early in January at prices, in most cases, considerably above present levels. The writer still believes that the long term indication for the rail average is at least the 65-70 area. The rails, at Thursday's close of 47.50, were down over 3  $\frac{1}{2}$  points from the January high. A reaction to 46  $\frac{1}{2}$  would indicate a further decline to the 44-43 level. If that level were reached, the writer, from a technical viewpoint, would consider the rails an outstanding purchase.

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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.