February 8, 1945

TECHNICAL MARKET ACTION

The industrial average, at Thursday's close of 155.54, was just a shade below the January high closing of 155.85. Thursday's intra-day high of 156.17 was also below the comparable January high of 156.68. The rail average was still more than a point below the January high. At this stage of the market, it seems appropriate to again discuss the technical outlook for the three trends.

As to the major trend, the writer still continues to look for substantially higher levels over the longer term. The action of the utilities has added additional confirmation to the bullish pattern. In penetrating the 1938-1939 high, this average (now 27 1/2) indicates a long term uptrend to above the 50 level. The rail average (now 50) still indicates an eventual objective of 65-70 and the Herald-Tribune average (now 114) is in a long term uptrend to the 164-167 zone. Neither the Dow-Jones industrial average nor the New York Times average has, as yet, confirmed the long term uptrend. However, the technical patterns of individual issues suggest that eventually such a confirmation will occur. The Dow-Jones industrials (now 155 1/2) would confirm at 159 and the New York Times average (now 109) would confirm at 116. Thus, the long term investor who is not concerned with the intermediate fluctuations of the market, should now be 100% invested and should remain so.

As to the intermediate trend, the outlook is uncertain. The writer advised taking profits on 50% of recommended issues near the January highs. Nothing has happened, as yet, to change that advice. There is a heavy supply area between 156 and 158 that must be penetrated before the industrial average is in the clear. Once through that area, the advance could easily continue to the 164-167 zone. However, the fact that base count indications have already been reached, leads the writer to believe that it may require some time before the overhead resistance is penetrated. It may be necessary to form a re-accumulation pattern in which the industrials might back and fill in a trading range between 158 and 150 and the rails in the 51-46 area, while individual issues move ahead. With that thought in mind, a 50% liquid position has been recommended with the objective of re-accumulating recommended issues on corrective reactions.

As to the minor trend, the writer has no reliable indicators to forecast those day to day fluctuations. However, after seven days of higher closings, the market may be vulnerable to profit taking. The seven day advance was rather labored, with a gain of only 2.26 points for the entire period on rather heavy volume. This would appear to indicate that, while special situations have moved ahead sharply, the general market is meeting increasing supply.

Weakness in rye and wheat on Thursday may carry over into the security markets and cause at least a temporary reversal in the minor trend.

EDMUND W. TABELL

SHIELDS & COMPANY