

March 1, 1945

TECHNICAL MARKET ACTION

Market action continues bullish. Sharp advances usually result in a weakened technical condition, but the pace of the advance, so far, has not been overly rapid and the market corrects itself by consolidation rather than reaction. The passing of the 160 level by the industrial average and the attainment of a new peak by the rail average seemingly indicates a further advance to the 163-167 area in the industrial average. The nearterm goal for the rail average is not clear. However, the 163-167 zone in the industrials is an area of quite heavy resistance. Would be inclined to lighten holdings temporarily if that objective is reached.

At this stage of the advance, it may be safer to concentrate on issues that have not yet shown sizeable advances. Such issues are not easy to find. Several, however, are mentioned below.

E. G. Budd Mfg. common closed on Thursday at 11 3/4. Since reaching a high of 12 1/2 in July, 1944, Budd has held in a narrow trading range between roughly 10 low and 12 1/2 high. The stock has been recommended for purchase near the lower part of the trading range at 10 1/2. The formation over the past eight months suggests a re-accumulation area. A penetration to 13 would indicate a rally to the 16-18 zone.

American Car & Foundry seems behind the rail equipment group. While most issues in this group have reached new highs considerably above the highs of July 1943, American Car & Foundry, at Thursday's close of 45 3/8, was still a fraction below its high of twenty months ago of 45 1/2. The stock was recommended for purchase recently at 45 1/8.

American Republics on the Curb reached a new high of 16 1/2 on Thursday. It still looks attractive technically. Thursday's close was 16. Its purchase is recommended.

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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 & Co.