

TECHNICAL MARKET ACTION

After six successive trading days of higher closings on both the industrial and rail averages, the market reversed the trend moderately on Wednesday and more sharply on Thursday. The volume, which was small on the advance, was even smaller on the decline. The industrial average advanced 3.93 points and the rail average 1.59 points in the six trading days from March 27th to April 3rd on an average hourly volume of slightly over 150,000 shares. In the past two days the industrials have lost 1.23 points and the rails .66 points on an average hourly volume of 120,000 shares.

The industrial average, over the near term, still indicates a backing and filling range before a wide move in either direction. Expect the inner limits of the range to be 156 and 152 and the outer limits roughly 160 and 150. The rail average continues to present a more dynamic picture. A decisive penetration of the March lows in this average would indicate a further reaction to the 47-43 zone. Continue to advise abandonment of trading positions in the rails if 49 1/2 is reached on an hourly average.

At this late stage of the war, it is interesting to observe the technical patterns of the aircraft stocks. The majority of issues in this group appear to be forming base formations from which a substantial rise could eventually occur. Some further work in the base areas seems necessary before the upswing starts. For this reason, aircraft issues have not been generally recommended. One exception is Republic Aviation which has an individual pattern quite different from other issues in the group. Republic is still selling around its recommended level of 8 3/8. It has attractive possibilities over the longer term.

Another aircraft issue with a very interesting technical pattern is Grumman Aircraft (Thursday's close 35 3/8). The stock has had a sharp rise from a low of 11 early in 1944. Technically, when Grumann sold at 18, it indicated a first objective of 31-33. This area was reached late in 1944 and recently the stock has been in a trading range bounded by approximately 29 and 35. This range was penetrated on the upside last week. Its action indicates the possibility of a further extension of the rise. Purchase is advised.

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Closing - Dow-Jones Industrials 154.99
Dow-Jones Rails 50.64

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