

TECHNICAL MARKET ACTION

The industrial average closed at a new high on Thursday at 165.84 as against the previous high of 165.44 reached on April 30. The rail average, however, failed to penetrate the comparable high of 57.19. Special situations continued to highlight the advance, while previously active issues marked time. It would appear that this type of market action could continue for a period of time. However, it would be surprising if the advance continued much further without a technical correction. Would expect any decline to be only of minor significance. The 161-159 area should be a strong support level. The long term trend is still definitely higher.

The lower priced issues, with a few exceptions, have been rather laggard since the inception of the "cash below \$10.00" margin rule of early March. Recently, however, a number of issues have shown renewed signs of vigor. The writer has recommended a number of low priced issues that have excellent technical formations. These issues will undoubtedly require considerable patience but purchase could result in sizeable percentage appreciation. A number of such issues are listed below.

	<u>Last Sale</u>
American Republics	15 1/2
Continental Diamond Fibre	11 1/8
Delaware, Lackawanna & Western	10 7/8
Gair (Rob't.)	6
Hat Corporation	8 5/8
Radio Corp. of America	11 3/4
Radio-Keith-Orpheum	8 1/8
Republic Aviation	8 3/8
Walworth	10 3/8

Budd Manufacturing, recommended at 10 1/2, was quite active on Thursday and equalled the 1945 top of 12 1/2. This issue has been in long line formation between roughly 10 and 12 1/2 since mid 1944. A penetration of this trading range to the 13 level would, from a technical viewpoint, indicate a worthwhile advance.

Lehigh Valley R. R. was recommended for purchase at 9 on February 15th. Since that time the stock has appreciated almost 50% to 13 1/8, with most of the advance taking place in the last few days. While long term technical indications point to an eventual price level in the 17-22 range, suggest taking trading profits for the moment. With funds so liberated, advise purchase of another recommended rail issue, Delaware, Lackawanna & Western, if available around 10.

Engineers Public Service, recommended at 15 7/8, reached a new high on Thursday at 24 1/2. The close was 24. Engineers also indicates higher levels over the longer term, but the profit of over eight points seems worth taking in hope of replacing on soft spots.

Continue the advice outlined in previous letter on the balance of recommended list. The record on completed trading transactions since the first of the year is

Number of trades	46		
Number of Gains	46	Total Points Profit	300 1/4
Number of Losses	0	Total Points Loss	0

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SHIELDS & COMPANY

May 3, 1945	<u>Closing</u>	
	Dow-Jones Industrials	165.84
	Dow-Jones Rails	56.72

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.