

## TECHNICAL MARKET ACTION

The long awaited increase in margin requirements was announced over the holiday and the market reacted sharply on Thursday. Volume in the first four hours was relatively small at 560,000 shares, but the pace increased in the final hour sell-off and the final volume totalled 910,000 shares. At the close, the industrial average was 1.47 points lower and the rails were down 1.46. The industrials, at 164.02 low for the day, held above last Friday's low of 163.78. The rails, however, penetrated last week's low of 59.49 to reach 59.21.

As we mentioned last week, there is a rather heavy support area in the 165-163 area of the industrial average and a similar zone at 59-57 in the rail average. Last week's decline stopped at or above these two resistance areas. The next support area in the industrial average is the 161-158 zone. A reaction to that area, incidentally, would cancel about 1/3 of the advance since the September 1944 low of 142. It would also cancel about 2/3 of the advance from the March low of 152. A normal correction in a bull market is usually 1/3 to 2/3 of the previous advance.

If the industrial average fails to hold above 163, a decline to the next resistance zone of 161-158 would be indicated. The close was weak on Thursday, but the volume for the day, regardless of the increase in the final hour, was encouraging when compared with the heavy turnover of over 2,000,000 shares last Thursday. Technical indications point to the 161-158 zone as the worst possibility on the downside at the moment and there is the possibility that the 165-163 support level will hold.

Continue to advocate the same policy. No change in the major trend outlook which indicates substantially higher prices over the longer term. Shorter term traders should have a portion of funds invested in recommended issues with the balance liquid awaiting buying opportunities.

When, as and if further weakness occurs, would pick up the following issues:

	<u>Last Sale</u>	<u>Buy At</u>
American Power & Lt. \$5 pfd.	71 5/8	70
American Hide & Leather	8 1/4	7 3/4
Armour	9 1/4	8 1/2
Bethlehem Steel	79 1/2	77
International Tel & Tel	27	25 1/2

Advice retention of recommended issues.

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Closing:

Dow-Jones Industrials	164.26
Dow-Jones Rails	59.23

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.