

TECHNICAL MARKET ACTION

The market turned strong in the final hour Thursday with the steels in the lead. Bethlehem Steel reached a new high. The late strength reversed a slow downward sag earlier in the session. Volume picked up on the rally.

As far as the shorter term trend is concerned, the technical action of the market is good. The two recent reactions held at approximately the same levels and this week's strength brought the industrial average above the previous minor rally top. At Thursday's high of 60.92, the rail average was close to the July 2nd high of 61.42, the previous rally top. While the figures are not available at the moment, it would seem that the New York Times 50-stock average had also passed its previous minor high. All of this would lead to the conclusion that at least a testing of the previous bull market highs of 169.35 and 63.62 was in the offing.

As for the intermediate trend, a note of caution must be sounded. For the first time since September 1944, the averages have built up a technical pattern that possibly could indicate a decline of more than minor significance. Either the formation is a consolidation period prior to a further upswing or a rather wide period of distribution. The answer to which of the two formations is the more probable has not yet been given. The writer would consider 170 and 163 the important points to watch. If 170 is reached, the intermediate uptrend would again be confirmed. However, if 163 were reached, would consider that the intermediate trend was down and would liquidate all recommended commitments in hope of replacing at lower prices. A possible decline to the 158-151 area would be the indication. For the time being advise continued retention of recommended issues. At the moment there is no definite indication in which direction the pattern will break out.

As to the long term trend, remain very bullish. Technical indications point to at least the 230-250 area as the ultimate objective of the industrial averages. It is possible that this figure might be passed. Therefore, those holders who are willing to disregard intermediate fluctuations, should remain invested in anticipation of considerably higher levels over the longer term.

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SHIELDS & COMPANY

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Closing

Dow-Jones Industrials	166.85
Dow-Jones Rails	60.80

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.