

TECHNICAL MARKET ACTION

The averages closed with plus signs on Thursday, the first up day after four successive days of decline. For the four down days, losses totalled 5.36 points for the industrials and 3.20 points for the rails. At Thursday's close, the averages had rallied 2.18 points and 1.02 points from Wednesday's lows of 160.62 and 56.70. The advance was on small volume, totalling 780,000 shares as compared with volume of around 1,500,000 on both Tuesday and Wednesday's decline. Expect any temporary upswing to meet resistance at the 163-163 1/2 level in the industrials and 59 in the rails. Advise lightening accounts, if not already done, on any further strength.

The intermediate trend is now indicated as down. The question now is how far the decline will go. Secondary trends usually correct the main trend by retracing 1/3 to 2/3 of the previous move. If we take the September 1944 low of approximately 143 on the industrial average and 39 on the rail average, a normal correction would indicate roughly 160 and 152 for industrials, and 55 and 47 for the rails. These figures approximate the writer's technical indications of 160-155 for the industrial average and 56-54 for the rails. From a study of the technical patterns of individual issues, it would appear that the rails are closer to a buying point than the industrials. Believe 55 would be a buying level in the rail average and 157-155 in the industrials. However, for the moment, advise a sideline position with trading purchases advocated only if the above mentioned levels are reached. Expect a possible slow down drag for the next month or so followed by a resumption of the advance in the Fall. See no indication of a drastic decline of 15 to 30 points as mentioned in some Street circles.

In the last letter, advised selling all recommended issues if 163 was reached on the downside in hope of replacing at lower levels. Therefore, all commitments are closed out and the shorter term trader is now 100% liquid. The complete record of all recommendations since the first of the year is tabulated below:

Number of Trades	106		
Number of Gains	83	Points Profit	418 1/4
Number of Losses	21	Points Loss	36 3/4
Even	2		
Total Points Profit	381 1/2	points.	
	<u>36</u>		
	417 1/2		

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SHIELDS & COMPANY

Closing

Dow-Jones Industrials 162.81
Dow-Jones Rails 57.72

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.