

TECHNICAL MARKET ACTION

After a weak second hour on Thursday, the market recovered its equilibrium and regained the major portion of the day's losses by the close. Volume was small on both the decline and the recovery, although the second hour volume of 180,000 shares, when prices were declining, was the largest of the day. Total transactions for the day were only 600,000 shares.

At the moment, the technical action of the market does not indicate a wide move in either direction. Since July 17th, the market has remained in a trading shelf bounded by 163 1/2 and 160 in the industrials and 58 and 55 1/2 in the rails. A comparable formation is present in the New York Times fifty combined stock average (both industrials and rails) with prices ranging between 117 1/2 and 115. A penetration out of this trading shelf seemingly would have no great significance at the moment. On the industrial average, the market meets resistance at 163 1/2-164, the top of the present trading shelf. However, directly above this resistance area is another heavy supply zone at 165-166. On the downside the market is meeting support at 160, the top of the writer's 160-155 buying area. A downside penetration would indicate a further dip into the support area, possibly to the 159-157 level. Thus there is nothing dynamic indicated in either direction.

Technically, the best action would be a further decline into the 160-155 area followed by a slow re-accumulation phase. A rally at this stage might only broaden the distribution tops and ultimately result in a greater decline than indicated.

From a trading viewpoint, advice remains the same. Continue 100% liquid in hopes of a slight further decline before re-entering the market. Continue to suggest the purchase of twenty-one issues recommended in recent letters at the specified prices mentioned.

Would also purchase the following issues if available at the prices listed below:

	<u>Last Sale</u>	<u>Buy At</u>
Alleghany Ludlum	30 1/4	29
American Crystal Sugar	22 1/2	20 1/2
Amer. Power & Light \$6 pfd.	75 7/8	72
Caterpillar Tractor	61 5/8	58
Champion Paper	32 3/4	31

EDMUND W. TABELL

SHIELDS & COMPANY

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Closing

Dow-Jones Industrials	162.49
Dow-Jones Rails	56.89

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.