

## TECHNICAL MARKET ACTION

Thursday's action was highly encouraging. After a sell-off at the opening, when the averages reached the day's low of 161.14, the market turned about sharply and more than regained the day's losses by the end of the first hour. The market then turned dull until the final hour when prices rallied sharply on heavy volume. The last hour gains of 1.56 on the industrials and 1.03 on the rails on 520,000 shares brought the total advances for the day to 2.72 on the industrials and 1.33 on the rails on total transactions of 1,460,000 shares.

There were a number of things that were encouraging in Thursday's action. In the first place, the market definitely broke out on the upside of the narrow 163 1/2-160 range in which it has held since July 17th. In the second place, Thursday's low was the third testing of the 160 support level. Finally, for the first time since the June highs, volume increased on the advance. It is now a question of whether or not the reaction low of 159.95 on the industrials, the upper part of the writer's 160-166 buying area, completed the secondary decline.

On the unfavorable side of the technical picture, while many individual issues have reached the upper part of their buying levels, a larger number still indicate a further minor decline. Also, as pointed out last week, a rally at this stage, before a re-accumulation phase, might only broaden the distribution tops and ultimately result in a greater decline than the indicated 160-155.

For the last two weeks the writer has recommended the purchase of a number of issues at prices below the market. So far, only one stock has reached recommended level (Southern Pacific at 46 1/2). Thursday's action has cast enough doubt on the probability to justify moderate trading commitments in issues with favorable technical patterns.

Listed below are a number of issues that are close to support levels. Purchase is advised with a portion of available funds. Still advise holding the major portion of trading funds liquid until the technical pattern becomes somewhat clearer.

Allegheny Ludlum	31
Armour	9 3/8
Crown Cork & Seal	39 1/2
Mesta Machine	41
U.S. Ind. Chemical	46 1/2

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SHIELDS & COMPANY

Closing

Dow-Jones Industrials	164.55
Dow-Jones Rails	57.80

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.