

TECHNICAL MARKET ACTION

Friday's market showed divergent action with the industrial average up during most of the day while the rails were down 1.48 points. At the day's lows, the rail average was down over ten points from its bull market peak of 63.62. This amounts to approximately a 40% correction of the 25 point rise since September 1944.

The industrials have so far failed to confirm the rail average by reaching new lows on the move and are now selling approximately five points above the July 27th low of 159.95, in contrast with new lows on the rail average. At Friday's close, the industrials were approximately midway between the bull market high of 169.55 and the July low of 159.95. The July low was the top of the writer's 160-155 buying range. Whether or not the industrials have completed their secondary decline is not yet clear. Continue to advise a policy of gradually re-accumulating trading positions on weakness. The action of individual issues should continue to be of more significance than that of the averages during this uncertain period.

Six issues reached buying points on Friday and were added to the recommended list. All of these issues are in the rail and aviation group. They are -

	<u>Purchase</u> <u>Price</u>	<u>Closed</u> <u>At</u>
Alleghany, pfd.	44 1/2	44 3/4
Boeing	20	20 1/4
Del.Lack. & Western	10	10 1/4
Illinois Central	30	30 1/2
Lockheed	24	24 5/8
New York Central	23 1/2	23 1/2

Advise purchase of all these issues around recommended levels. Also Atchison, Topeka & Santa Fe (closed at 81 3/4), Northern Pacific (closed at 24 3/4) and Southern Pacific (closed at 43 1/2).

The rails have sold off sharply from their year's highs and are at or close to support levels. Believe they are an extremely attractive purchase for both the short and long term. Same is true of selected aircraft manufacturers.

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SHIELDS & COMPANY

Closing

Dow-Jones Industrials	164.38
Dow-Jones Rails	53.05

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.