

TECHNICAL MARKET ACTION

After the industrial average failed to better last week's high of 187.55 when they reached 187.52 early Tuesday, the market dropped sharply on Tuesday and Wednesday. A partial recovery of the losses occurred on Thursday.

At Wednesday's low of 183.02, the industrials had dropped approximately 4 1/2 points from the high of 187.55. When compared with the approximately 27 point rally from the August lows, this reaction is comparatively slight. It is the type of swift, sharp correction that the writer has mentioned as an expected possibility in recent letters. In fact, the decline is less than the normal correction in an intermediate upswing. A normal 1/3 to 1/2 correction of the 27 point upswing would carry the industrials back to the 177 1/2-174 area. However, would not expect the reaction to carry that far. There is a rather strong support area at 182-179, which, if the current correction continues, should halt the decline.

The action of the rails in the two-day decline was rather encouraging. The rail average was off two points at the low but the volume of selling was small and at Thursday's close the average was only 1 1/2 points away from the recent high of 60.81. The penetration of last week's highs by this average would indicate the possibility of a thorough test of the June highs three points above that level.

While the market could work somewhat lower than Wednesday's low of 183.02, would consider the 182-179 area as a near term support level. Believe present reaction is a normal correction of sharp, two month rally of 27 points. While the averages may or may not decline somewhat further, do not believe decline will be sharp enough to warrant profit-taking on recommended list until the objective levels mentioned in recent letters are reached. Expect an irregular market over the near term with a continuation of strength in special situations.

Colt's Patent Fire Arms which was suggested as a purchase in Monday's letter if the stock succeeded in penetrating the overhead resistance, reached the buying point at 42 and carried on to reach a high of 46. Thursday's close was 45 1/4. The stock has an exceedingly bullish technical pattern and looks higher. Its action in a declining market is impressive.

EDMUND W. TABELL

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SHIELDS & COMPANY

Closing

Dow-Jones Industrials	184.54
Dow-Jones Rails	59.32

The opinions expressed in this letter are the personal interpretation of charts by Mr. Edmund W. Tabell and are not presented as the opinions of Shields & Co.