

Technical Market Action

On reduced volume, Thursday's market steadied somewhat after the sharp decline of the previous day. While the industrial average declined 44 cents, the rail average moved ahead 14 cents. Extreme irregularity prevailed in the industrial section with diverse action even within the same group.

From a short term viewpoint, would not expect the decline to carry much lower. Volume indications are favorable and support should be met at the 192 1/2 - 192 level. The technical action of the rail group is good and would not be surprised if the carriers lead the next rally.

From the intermediate term point of view, a note of caution should be sounded. Believe the market is in the first stage of forming an intermediate top formation. From a time viewpoint, it may be a month, more or less, before such a formation is completed. It could be highlighted by sharp swings in the area bounded roughly by 200 and 190, with certain issues continuing to advance to new highs while others meet increasing resistance. Such action could be followed by a decline correcting the almost straight line advance from August. While there is no way of measuring such a decline until the formation is completed, find it difficult, at the moment, to envision a correction much below the 185-180 area. Would continue to hold issues in recommended list until objective levels are reached. An increasing number of issues are reaching or approaching these levels. On the other hand, there are quite a few that have considerable distance to go. Would expect these issues to be leaders on further strength in the general market. Would keep funds derived from profit-taking sales liquid.

From the long term viewpoint there is no change. Believe the market should work much higher. The writer has often stated that the ultimate technical objective is a minimum of 230 to 250 on the industrial average. These figures may be conservative. The long term investor, who is not concerned about the possibility of a 5% to 10% correction, should remain invested.

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SHIELDS & COMPANY

Dow-Jones Industrials	193.52
Dow-Jones Rails	63.39