

Technical Market Action

Thursday's market rallied in the final hour of trading after an earlier sell-off on reduced transactions. The rail average regained all of the day's losses to 7 cents, while the industrial average was 17 cents lower on the day.

While the tendency of the trading volume to decline on reactions is encouraging, believe a cautious attitude should be adopted toward the market for the time being. As noted before, an increasing number of issues have reached prices, which, by technical interpretation, are the objectives for the intermediate term. This in itself is not particularly disturbing. In the past, when this has happened, it has resulted only in a quieting down period while the issue rested and backed and filled to form a trading range which was ultimately confirmed as a re-accumulation area when there was an upside penetration out of the trading range indicating a new intermediate uptrend. However, at the moment, the situation is slightly different. Price objectives have been reached, a trading range has been formed as in the past. But a number of issues have, instead of breaking out on the upside, penetrated the lower limits of the range and indicate intermediate downtrends. The number of such instances have been relatively small, but recent examples are Philip Morris, Schenley, and many of the air lines. This action may be indicative of only isolated situations or it may be a storm warning of a reaction of greater significance than recently witnessed.

On the favorable side is the fact that there are still many issues that have not yet reached objectives. This fact, combined with the action noted in the above paragraph, may indicate that even if a reaction occurs it may be preceded by continued firmness for a while with new groups and issues brought into the pattern. The writer has been advising retention of recommended issues with gradual profit-taking as objective levels are reached. Continue to advise lightening list on strength and building up substantial buying reserve for intermediate trading accounts until the technical pattern becomes somewhat clearer.

Another issue has reached its intermediate objective and is dropped temporarily from the list. It is Twin Coach, recommended at 21 3/4, which reached its intermediate objective of 26-28.

The record of completed transactions in recommended issues since the first of this year is noted below:

Number of Trades	10
Gains	10
Losses	20
Points Profit	107 1/2

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SHIELDS & COMPANY

Closing

Dow-Jones Industrials	204.67
Dow-Jones Rails	67.62

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 & Company.