

Technical Market Action

Thursday's market action was rather impressive. After a slightly higher opening, prices eased off on reduced volume. This was not reflected to any great extent in the averages due to firmness in the higher priced issues, but Steel, General Motors and other issues were a point or so lower. During this first four-hour period volume totalled 820,000 or an average of approximately 200,000 shares each hour. In the final hour, the market turned strong on increased volume of 350,000 shares for the hour. At the close, the industrial average showed a gain of 1.03 points, while the rails were 19 cents higher. The gains from the day's extreme lows were 1.90 on the industrials and 62 cents on the rails.

The short term trend indicates further rally. Would expect the technical upswing to carry to the 192-195 zone. Would be inclined to liquidate short term trading commitments in that area.

The intermediate term trend is down. This will be changed only when, after a rally, the previous lows hold and the subsequent rally penetrates the previous high. A considerable period of time may elapse before this occurs. During this period, the market should back and fill in a trading range in the process of forming a re-accumulation area. Extreme selectivity is the usual accompaniment of such a period with some groups moving higher while others make new lows. As to the ultimate low of this secondary correction, the picture is not clear, but would expect it somewhere in the 185-170 range. This is an extremely wide area but is all that can be predicted at the moment. However, possibilities favor the narrower 180-175 area. As in the July-November 1943 reaction, the low may be made several months after the decline starts.

As to the long term trend, technical indications still point to much higher prices after the much-needed secondary correction is completed.

Advise retention of the eleven issues recommended for a trading turn on Tuesday, when the averages closed at 186.02, until further notice. However, if the industrial averages reach 195 before the next letter is issued, advise taking profits on these eleven stocks.

EDMUND W. TABELL

SHIELDS & COMPANY

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Closing

Dow-Jones Industrials	190.09
Dow-Jones Rails	62.23