

Technical Market Action

Volume was again below the one million share mark on Monday with the day's transactions totalling 960,000 shares. Last Friday's volume was 820,000 shares, lowest since December 20th. The drying up of trading activity is constructive as to the short term trend. Also, like last Thursday, the early morning sell-off on Monday failed to follow through and U.S. Steel held at last week's low of 80 1/2. The last hour rally carried the averages back to 188.46, off 27 cents after reaching an intra-day low of 186.77. Technical indications still point to a short term rally to the 192-195 area.

The intermediate trend is still indicated as down. However, at last week's lows, the reaction had reached a point beyond what is generally considered the minimum limits of a secondary correction in a bull market. Such a correction is one which retraces one-third to two-thirds of the previous advance in a time period of three weeks to three months. Both the rail and industrial average have retraced about 45% of the advance from last Summer's lows to the February highs. In point of time, the low in the industrials and rails was reached 24 days and 21 days after the February highs. However, as mentioned last week, the present correction may follow a pattern similar to that of the July-November 1943 reaction, in which, after a preliminary rally, the market turned again to finally reach its ultimate low in November. If such is the case in the present market, would expect the industrial average to reach its low somewhere in the 185-170 area.

As for the longer term trend, technical patterns still indicate a considerably higher price level.

Continue to hold the eleven issues recommended last week for a trading turn. Would take profits if the 195 level is reached. As for new commitments, would confine purchases to reactionary periods. Would buy Chicago Pneumatic Tool, if available at 28. Monday's close was 31 5/8. After trading hours, the company omitted its usual 50 cents quarterly dividend. The stock has an attractive longer term pattern and a strong support range in the 28-26 area. The 1945 high was 37 3/4.

EDMUND W. TABELL

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SHIELDS & COMPANY

Closing

Dow-Jones Industrials	188.46
Dow-Jones Rails	61.91