

Technical Market Action

Monday's market was another irregular affair with strength in some issues offset by weakness in others. The final result for the day was a slight loss in both averages with the industrials down 7 cents and the railroads off 33 cents. Volume of trading was at about the average of recent sessions with total transactions of 1,210,000 shares.

The short term trend is uncertain. For the last eleven trading days the industrial average has held in an extremely narrow trading range between the 209.36 high of April 17th and the 204.57 low of April 15th. The range of the closing prices has been even more restricted with a high closing of 208.31, against a low closing of 206.01, a range of a little more than two points. Considering the high level of prices, this narrow fluctuation is remarkable. The range of the rail average has been equally restricted. No indication of the nearby trend will be given until the trading area is penetrated on either side.

The intermediate term trend likewise remains uncertain and calls for considerable caution marketwise. The favorable action of the industrials in penetrating the February highs has been offset by the lethargic action of the rail average which is still approximately four points below its comparable February high. In addition, the action of several key issues suggests the possibility of being in a distributional area. The formation is far from clear with a pattern forming that has the potentialities of a rather dangerous technical picture. It may turn out that there was no need for cautionary attitude which the writer has been adopting at this particular stage of the market. Admittedly, the patterns now in the process of formation might eventually turn out to be simply hesitating phases prior to a resumption of the main advance. However, if the reverse is true and the formations are distributional areas, the potential decline is great enough to warrant a policy of extreme caution. There is no change in advice. Intermediate term traders should be on the sidelines with a 100% liquid position until the pattern becomes clearer.

There is no change in the long term or major trend which still remains up. The only thing which would change the uptrend indication at this stage would be penetration, by both averages, of the February lows of 184.06 and 59.86.

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Closing

Dow-Jones Industrials	207.99
Dow-Jones Rails	65.04

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.