Technical Market Action

The market on Monday, except for the usual small group of special situations, was unable to make much progress in either direction. The close was irregularly lower with all three averages showing minor losses on volume of approximately 1,250,000 shares. The industrials were down 72 cents, the rails 33 cents and the utilities 18 cents. The 65 stock average was down 31 cents.

As to the minor trend, the market broke out of the down trend channel by rallying sharply on increased volume on Friday. There was considerable churning around on Saturday with little progress on heavy volume, which was not particularly favorable. This was offset by the small volume on Mondays irregular decline. Supply is evidently being met in the area of the February and April highs.

As to the intermediate trend, there still is no definite technical indication as to the direction of the next important move. At the present levels, the market is in a definite resistance zone. The highs of February, April and May for five different averages are listed below.

	February High	April High	May High	Monday's Close
D. J. Industrial	207.49	209.36	208.66	207.34
D. J. Rails	68.42	65.63	64.84	64.04
D. J. 65 Stock Composite	77.92	77.51	77.47	76.92
N. Y. Herald Tribune 100 Stock	134.34	135.03	134.52	*
N. Y. Times 50 Stock	144.71	144.15	143.08	*

* Not available at writing but both are fractionally below May high.

The D. J. industrial average has penetrated the February high and a re-affirmation of the uptrend awaits a penetration by the rails, which are more than four points below their previous high. Of the three other averages, all of which are combined averages, containing industrials, rails, and utilities, only the Herabld Tribune average has succeeded in penetrating its February high. Technically, a decisve penetration by the other two averages on volume would be a bullish indication. Believe such a signal should be followed rather than awaiting a confirmation by the rails of the industrial high. Awaiting such a confirmation might entail missing a good portion of the upward swing.

On the bearish side, if the market does not break through decisively to new highs, the market pattern would indicate a possible triple top formation technically would seem extremely vulnerable to a sharp decline on unfavorable news.

With the market so close to an upside break-through, it would seem the wise course to await that development before entering the market, at what might eventually turn out to be the highs. for the intermediate move. This might involve missing a few good moves in special situations, and paying slightly more than present prices on re-entering the market, but such a policy should pay excellent dividends, if the market turns down at this stage.

Advise a liquid position in intermediate term trading accounts until the Dow Jones 65 stock average and N. Y. Times 50 stock average decisively confirm the penetration by the the Herald Tribune average. Such penetration would destroy the potentially bearish pattern and again indicate purchases on all minor reactions.

May 13, 1946

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