

## Technical Market Action

The market rallied strongly in the closing hour Monday on increased volume. Trading, which had been extremely dull with only 570,000 shares transacted in the first four hours for an hourly average of slightly over 140,000 shares, picked up on the rally with 340,000 shares traded in the final hour. However, even with the pick-up in late trading, total transactions for the day were only 910,000 shares. All averages closed higher with the industrials up \$1.33, the rails up 84 cents, utilities up 6 cents and the 65-Stock Composite up 57 cents.

The market continues to act impressively in the face of discouraging news. However, as yet, no definite technical signal has been given that would change the present uncertain pattern. The market continues to remain in the broad trading range in which it has held since the first of the year. This pattern is practically the same in all the various market averages, even though there have been minor up-side penetrations in some of the averages. The question, yet undecided, is whether or not this large area is a distributive phase or simply a resting or re-accumulation period. If it turns out that the area is one of distribution, the area is large enough to indicate a sizeable decline. If, on the other hand, the area is one of re-accumulation, a penetration would indicate a resumption of the rise. Though it is a rather patience-trying procedure, the wiser course seems to let the market decide the question for itself by penetrating the former highs. The averages are close enough to the highs so that only a point or two higher will have to be paid for insurance. Would consider a closing above 78 on the Dow-Jones 65-Composite average (now 76.89) and above 145 on the New York Times 50-Stock average (now around 143) to be sufficient technical evidence to warrant repurchases. Until such time, would remain liquid in intermediate term trading accounts.

In the meantime, individual rail issues are building up rather interesting patterns. Two issues, Northern Pacific and Southern Pacific, are worth mentioning. Northern Pacific, which reached a high of 38 1/2 in late 1945, reacted below 29 in the February reaction. Since that time it has held in an extremely narrow trading range between the full figure points of 31 and 29. The actual low was 28 1/8. Monday's close was 31. A penetration out of the range to 32 would be bullish, while a penetration in the downside to 28 would be bearish. Southern Pacific has a somewhat wider trading area with the 55-62 range. Monday's close was 61 5/8. A penetration to 63 would, technically, indicate higher prices. Purchase of Northern Pacific and Southern Pacific is advised if 32 and 63 are reached.

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SHIELDS & COMPANY

### Closing

Dow-Jones Industrials	207.13
Dow-Jones Rails	64.36

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.