

Technical Market Action

On increased volume, the market moved ahead on Monday to reach new bull market high territory on both the Dow-Jones industrial average and the 65-Stock composite average. While the figures on the New York Times and New York Herald-Tribune average are not available at present writing, it is believed that these two averages reached new high territory. While the Dow-Jones rail average, at the day's high of 67.18, did not penetrate the February high of 68.42, the fact that it has decisively penetrated the April high of 65.63, plus the technical patterns of individual rail issues, indicates the probability that the February high will be penetrated in the near future.

While a strict interpretation of the Dow Theory requires a confirmation by the rail average, the writer is of the opinion, as stated in recent letters, that a decisive penetration of the February highs by the three combined stock averages (Dow-Jones 65-Stock, New York Times and New York Herald-Tribune) would be sufficient to indicate a confirmation of the uptrend. This has, I believe, occurred and would now re-enter the market in trading accounts. This does not mean that the market will immediately move ahead in a straight line. There will undoubtedly be periods of uncertainty but the important signal given by Monday's penetration is that the possibility of a sizeable decline appears to be decidedly more remote.

Would add a few more issues to the recommended list at this time, keeping a portion of funds available for purchase during technical corrections. Believe that the advance will continue to be selective and favor rails, railroad equipments, steels and metals.

Suggest the following:

	1946 High	1946 Low	Monday's Close
American Metal.	41 7/8	33 1/2	41 3/4
Bridgeport Brass	20 3/8	16 1/8	18 1/2
General Railway Signal	47 1/2	38 1/4	44
Hercules Motor	38 7/8	31 1/4	34 1/2
Inspiration Copper	22 1/2	17 1/8	21 3/8
Jones & Laughlin	53 7/8	40	48 7/8
Lima Locomotive	88	68 1/2	75
Miami Copper	18 3/4	12 3/8	17 1/2
National Malleable Steel	41 5/8	30 1/2	34 7/8

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May 27, 1946

SHIELDS & COMPANY

Closing

Dow-Jones Industrials	209.42
Dow-Jones Rails	66.65
Dow-Jones 65-Stock	78.25

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.