

## Technical Market Action

The market sold off in the final hours of trading on Thursday on increased volume. The industrial average was down \$5.22 and closed at practically the days low. Eastman Kodak which was down 19 1/2 points, and duPont which was down 8 points were mainly responsible in causing such a steep decline in the average. The rails were down \$1.46, but acted relatively better than the industrials. Transactions totaled 1,310,000 shares, with more than half of the total turnover (670,000 shares) occurring in the final hours sell-off.

At Thursdays close of 200.52, the market had decisively penetrated the 206 support level. If the reaction is nothing more than a correction, it should hold in the 200-197 area. Failure to hold in this support area, would be a rather ominous development, and would cast considerable doubt on the validity of the recent fractional confirmation of the rail average. As stated in the last letter, the fact that the rail penetration was not more decisive is in itself a disturbing note. However, several indications point to the possibility that the decline may be halted in the 200-197 support area. First, the shelf formation formed during the past two weeks and penetrated on the downside on Wednesday, indicates a reaction to points not much below present levels. This is true for example of the New York Times average, which indicates 140-142. It is also true of a number of individual stocks, notably the steel group, which have just about reached the indicated reaction level, and also are near or at support points. Also, the market has now declined for five successive days, and the steepness of the decline of \$9.61 in the last three days suggests the possibility of the approach of a selling climax.

Would venture trading purchases on further weakness into the 200-197 area. Favor the rails and heavy industry group together with selected specialties. Believe the possibilities good that the decline will hold in the above mentioned area. However, a break below this level would be an unfavorable development. Suggest issues recently mentioned plus Wheeling Steel (close 53 1/2) Rayonier (close 27 5/8) and Revere Copper (close 26 3/4). All these issues show bullish long term patterns.

June 20, 1946

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### CLOSING

Dow-Jones Industrials	200.52
Dow-Jones Rails	66.05
65-Composite Stocks	75.63

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.