

Technical Market Action

The averages showed little change on Wednesday with the industrial average closing 13 cents higher while the rails were 9 cents lower. However, specialties, mostly in the liquor and meat packing group, were able to move ahead sharply on increasing volume. Total transactions at 910,000 shares were the highest since early last week.

/ Is the long trading range, in which both the averages and the majority of individual issues have held for several months, a period of re-accumulation prior to resumption of the advance and a new leg of the bull market, or is it a distributional phase prior to a sharp and severe reaction? That is a question which only the market itself can answer by breaking out of the range in either direction. It is needless to say that this backing and filling phase will not last much longer and that the ensuing move will be sharp regardless of the direction. / As an example, American Smelting has ranged between approximately 61 and 73 since the first of the year. Wednesday's close was 68 1/8. Technically, a reaction to 60 would indicate a further decline to 52, or 16 points lower than its present price. Conversely, a rally to 74 would indicate a further rise to 87-89, or about 20 points above its present price. Many other issues show the imminence of equally dynamic moves if the trading ranges are penetrated.

While there will be no definite signal given until the penetration occurs either upside or downside, there are several straws in the wind that lead me to believe that the penetration, when it occurs, will be on the upside. The reasons briefly are (1) Long term indications point to considerably higher prices for many issues, (2) Recent volume indications have been favorable and do not indicate distribution, (3) Most of the work in the trading range has been on the lower side which points to accumulation, (4) The few breakouts in individual issues have been on the upside.

Continue to advise purchase and retention of recommended issues until trading ranges are penetrated downside. It is interesting to note that several issues in the steel group are close to upside penetration. Bethlehem Steel, which closed at 112 on Wednesday, would indicate an intermediate term rally to the 136-139 area if 114 is reached. Breakout points on several steel issues are noted below:

	<u>Wednesday's Close</u>	<u>Selling At</u>	<u>Would Indicate</u>
Bethlehem Steel	112	114	136-139
Jones & Laughlin	51	54	69-72
Republic Steel	39	41	48-53
U. S. Steel	93	98	116

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July 10, 1946

SHIELDS & COMPANY

Closing

Dow-Jones Industrials	207.56
Dow-Jones Rails	64.72
Dow-Jones 65-Stock	76.85

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.