

Technical Market Action

Since reaching an intra-day low of 194.33 early last week, the market has rallied to a high of 199.11 on Monday. Directly overhead is the heavy resistance area of 199 to 203. It will be interesting to note how the market acts as this area is entered. Normal expectation would be a backing away from the overhead resistance area and a testing of the lows of last week. Last week's lows were just off the first support area of 194-191½. Consider the near term picture too uncertain to recommend trading purchases at this time.

Regardless of whether the lows of last week are to be the lows of the intermediate decline or whether one of the two lower support levels mentioned in last week's letter will be reached, still feel that eventually higher prices are indicated for the longer term. Believe that any further decline in the averages will be selective and that some individual issues and groups may already have reached their lows.

One group that seems to already be very near to its indicated downside objective is the airline group. In most instances, the issues in this category made their highs in late 1945 and have been in a declining phase since that time. The four issues listed below appear interesting for long term holding. Advise purchase in periods of market softness.

| | <u>1945-46</u> <u>High</u> | <u>1946</u> <u>Low</u> | <u>Monday's</u> <u>Close</u> | <u>Downside</u> <u>Objective</u> |
|-------------------|-------------------------------|---------------------------|---------------------------------|-------------------------------------|
| American Airlines | 19 7/8 | 14 5/8 | 14 7/8 | 14 |
| T.W.A. | 79 | 44 3/4 | 45 3/8 | 42 |
| United Air Lines | 62 1/2 | 35 1/8 | 38 1/2 | 36 |
| Western Air Lines | 40 1/2 | 20 1/8 | 20 1/4 | - |

It will be noted that most of these issues show substantial declines from their highs and at recent lows have just about reached their downside objectives. No objective is given for Western Air Lines as the objective is not clear.

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SHIELDS & COMPANY

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| <u>Closing</u> | |
|-----------------------|--------|
| Dow-Jones Industrials | 198.23 |
| Dow-Jones Rails | 61.40 |
| Dow-Jones 65-Stock | 73.44 |

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.