

## Technical Market Action

As was to be expected after eight successive days of rising prices, the market turned reactionary on Monday and the industrial average closed 89 cents lower. The rails, by comparison, put in a better performance and were only 10 cents lower on the day. Volume was small at 790,000 shares. Consider Monday's action normal. Would expect some further irregularity and a possible testing of the recent lows. Ability to hold above this point would indicate the probability of a turn in the intermediate trend.

In looking over the technical patterns of individual issues and groups, it becomes quite evident that extreme selectivity will be the outstanding factor in the market from here on. While a great many issues seemingly have reached the objectives outlined by their primary base formations, there are a great many others that indicate substantially higher levels. An outstanding example of the latter type is to be found in the railroad equipment group. Most issues in this classification are selling near the lows of the year and well below not only the highs of 1945-46, but also of 1936-37. With a favorable future sales outlook, this group appears extremely attractive. Listed below are several issues in this group that have bullish long term technical patterns. Purchase is advised on reactions -

	<u>High</u> <u>1936-37</u>	<u>High</u> <u>1945-46</u>	<u>Low</u> <u>1946</u>	<u>Last</u> <u>Sale</u>
American Brake Shoe	80 3/4	64 1/2	50	56
American Car & Foundry	71	72 3/8	57 1/4	70 1/4
American Locomotive	58 7/8	44 1/2	33	34 1/2
American Steel Foundries	73 1/4	50 1/2	39 3/4	41 3/4
General Railway Signal	65 1/8	49	36	40
Lima Locomotive	83 1/2	88	63	66
Poor & Co. "B"	33 1/8	27 1/4	18 3/8	20 1/4
Pressed Steel Car	31 7/8	30	19 5/8	22 1/2
Westinghouse Air Brake	57 3/4	41 5/8	32 1/2	35 7/8

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SHIELDS & COMPANY

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Closing

Dow-Jones Industrials	201.93
Dow-Jones Rails	62.53
Dow-Jones 65-Stock	74.85

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.