

## Technical Market Action

The market rallied again on Thursday and both the industrials and rails reached new highs on the rally from the July lows. Volume showed a slight increase at 890,000 shares. After eight days of advancing prices, the two day decline of Monday and Tuesday was relatively small. The industrials reacted only \$2.91 after a rise of \$9.08 while the rails reacted only 94 cents after a rally of \$2.61. Volume indications have been slightly favorable also with a total of 1,430,000 shares on Monday-Tuesday decline against 1,960,000 on the Wednesday-Thursday rally. After some week-end irregularity would expect an extension of the advance. The market, however, is in a heavy supply area and would expect the rise to be selective.

From the action of the market, believe the intermediate downtrend reached its low on July 24th when the industrial average hit 194.33 and the rails were at a low of 60.26. Technical reasons for this viewpoint are (1) The decline stopped at the first of the three support levels mentioned by the writer in recent letters, namely - the 194 - 191½ area in the industrials and the 60 level in the rail average. Incidentally, at this level, the industrials had retraced approximately two-thirds of the February to May rise while the rails had lost all their gains and formed a double bottom at the February lows. (2) The rally in the industrials retraced, in eight days, approximately half of the thirty-seven day June-July decline. (3) Instead of the rally meeting resistance at the logical 199-200 level, the market pushed through heavy supply to 204. (4) There has been a fractional penetration of the intermediate downtrend line on the Dow-Jones industrial average, the Dow-Jones combined average and on the New York Times average. From this reasoning it would seem the uptrend has resumed and soft spots should be used for accumulation of selected issues. As mentioned before, favor the heavy industry shares although some of the consumer goods issues could also move up sharply from an oversold position.

As to the long term trend, the market continues to point toward higher levels.

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SHIELDS & COMPANY

### Closing

Dow-Jones Industrials	204.10
Dow-Jones Rails	62.74
Dow-Jones 65-Stock	75.42