

## Technical Market Action

The market continued the rally at a slightly reduced pace on Thursday. The close was near the highs of the day. The industrials closed at 174.96, up \$2.01 on the day, while the rails closed 68 cents higher at 48.68. From the September 19th low of 164.09 to Thursday's high of 175.45, the market has rallied eleven points. Percentagewise, this is the best rally the industrial average has had since April of this year.

Technically, the market appears to have reached its low at last Thursday's low of 164.09. As pointed out in this letter, the selling since the high volume day of 3,620,000 shares on September 4th was seemingly much weaker than the buying. This was evidenced by the fact that from the mid-August top of approximately 205, the market declined, in fourteen trading days, to a low of 174 on September 4th. This decline amounted to 31 points or 15%. In the next three weeks, regardless of the heavy volume and extreme general pessimism, the market declined only ten points from the 174 low or a little less than 6%.

Believe the action starting from September 4th was the start of a base pattern. A check of all technical patterns of individual issues show, that of those with clear cut patterns, about 61% have reached their downside objectives, another 14% are within a few points of their objective while the remaining 25% still show somewhat lower prices. Past experience has shown these indications to be approximately 70% correct.

Normal technical action would call for retracement of one-third to two-thirds of the decline. Depending on whether the May top of 213 or the August top of 205 is used, this would call for a rally to somewhere between 178 and 196. Obviously, it may take some time before these objectives are reached. The ideal pattern would be a rally to the 178-180 area followed by a reaction to the 174-172 area - followed by a consolidation to build up a further base pattern. In any event, the market now appears to be a purchase on reactions.

Of the ninety-nine buying ranges listed over the past weeks, eighty-six reached the buying area. Of these eighty-six, only twelve reacted more than 10% below the lower limit of the buying range.

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### Closing

Dow-Jones Industrials	174.96
Dow-Jones Rails	48.68
Dow-Jones 65-Stock	62.83

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.