

Technical Market Action

After declining to a low of 170.44 on Monday, down \$3.65 from the previous close, the industrial average recovered a good portion of the day's losses in the final hours of trading and closed at 172.42, down \$1.67 on the day. The rail average reached a low of 47.14, down \$1.28 from the previous close and closed at 47.72 off 70 cents. Volume was small at 1,020,000 shares.

Believe the market action of both Monday and Friday was definitely encouraging. At the day's lows of 170.44 and 47.14, the industrials had lost \$5.01 of the \$11.36 rally from the lows, or roughly 44%. The rails retraced \$1.75 of the \$4.13 rally, or approximately 42%. The correction has held within normal bounds and has been accomplished on exceedingly small volume. The three advancing days of last week averaged 5,777,000 shares while the two days of decline averaged below the million share mark.

The action of the recent market is shown in the following tabulation -

	<u>1946</u> <u>High</u>	<u>1946</u> <u>Low</u>	<u>De-</u> <u>cline</u>	<u>9/26</u> <u>High</u>	<u>Ad-</u> <u>vance</u>	<u>% Ad-</u> <u>vance</u>	<u>9/30</u> <u>Lows</u>	<u>De-</u> <u>cline</u>	<u>%</u> <u>Decline</u>
Industrials	213.36	164.09	\$49.27	175.45	\$11.36	23%	170.44	5.01	44%
Rails	68.77	44.76	24.01	48.89	4.13	17%	47.14	1.75	42%

Believe the market will have a full secondary correction of at least one-third to one-half of the declines of \$49.27 and \$24.01. The market appears to be in the process of forming a base. Believe the base area may be built up in the 170-180 area. Would expect the next move to carry to the upper part of the range.

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SHIELDS & COMPANY

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Closing

Dow-Jones Industrials	172.42
Dow-Jones Rails	47.72
Dow-Jones 65-Stock	61.86

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.