

## Technical Market Action

The market continues to back and fill and, in the writer's opinion, is in the process of forming a base or accumulation area prior to a rally that will retrace one-third to two-thirds of the decline from the bull market highs.

This re-accumulation process may take some further time before emerging out of the possible base formation on the upside. The background usually found in accumulation periods is present today, namely, nervousness and general bearishness, low volume and lack of public interest. In the process, some further time may be consumed and prices may work a little lower. However, continued backing and filling within the confines of the accumulation increases the rally possibilities.

The pattern may not yet be complete and, therefore, it is not possible to suggest upside objectives for individual issues. However, a great many issues have already built up sizeable areas that have the appearance of base formations. American Rolling Mills is a case in point. The high for the year is 42 3/8. The stock spent considerable time in the 41-39 area and built up what turned out to be a distributional area around those prices. The top count of this distribution zone indicated a decline to the 32-26 area and the previous pattern also indicated support at 29. The stock's buying range in our list of early September was 32-29. The low of the recent decline was 30 1/8.

The fluctuations of recent weeks have built up a pattern between the full figure points of 35 and 31 that suggests a strong base formation. At the moment, ability to reach 36 would be a bullish signal and confirm the opinion that the pattern is re-accumulation area. If the stock continues to hold above 32, the pattern is especially attractive as the head and shoulders formation now present suggests a possible rally, if 36 is reached, to a new high in the 45-47 area. Even if the stock declines to the 32 or 31 area, the base would still suggest a rally to 39-41 if again 36 is reached. Of course, a continuance of fluctuations in the above areas would further broaden the base and suggest even higher rally possibilities if 36 were penetrated. A decline below the recent low of 30 1/8 would necessitate a new base pattern at lower levels. This probably would delay the rally for a considerable time period.

There are many other issues that have, in the last few weeks, built up similar patterns to American Rolling Mills. In fact most of the issues that reached the buying areas mentioned in the September letters have such patterns though in many cases they do not suggest quite as much percentage appreciation.

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SHIELDS & COMPANY

Closing

Dow-Jones Industrials	169.80
Dow-Jones Rails	47.10
Dow-Jones 65-Stock	61.09

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.