

Technical Market Action

After six days of decline, the anticipated rally took place on Thursday. The industrial average, after reaching a low of 161.61, closed at 164.94 - up \$1.82 on the day. The rail average closed \$1.00 higher at 45.69 after reaching a low of 44.00. Volume was just about equal to the previous day at 2,220,000 shares.

While the averages broke out of the 175-165 trading range on the downside, a majority of the individual issues still have a pattern that could turn out to be a base pattern. These patterns usually take a long period of time to form and cover a wide price range. For instance, the distributional pattern on averages and on individual issues for this decline was formed between January and May of this year. During this period the industrial average fluctuated between 213 and 185. Individual stocks in the \$50 price range fluctuated in a ten point area in a building up of a distributional zone. It must be expected that the same process will take place in building up an accumulation base period. It is a bit too early at the moment to attempt to name the limits of this range.

This much, however, can be said. In the past, the New York Herald-Tribune 100-Stock average has been the best forecaster of price objectives for the longer term while the other averages have been excellent in forecasting price objectives for the shorter swings. On Wednesday, this average reached a low of 116.12 and presumably was somewhat lower on Thursday. The writer's technical work indicates that the downside objective for the present bear market on this average is the 112-109 area. Obviously, perfect accuracy is not to be expected and the ultimate low may be a point or two on either side. Whether this objective is to be reached immediately or after a further rally is not indicated. However, the important thing to be borne in mind is that the average has reacted from a high of approximately 137. Thus the average has already reacted 21 points. It is possible that a further correction of from 4 to 7 points may be seen but, at 116, the average has already completed 75% to 85% of the correction. In individual issues, undoubtedly many have reached or are very close to their lows. It is these issues that have been mentioned in previous buying range letters. Other stocks have somewhat further to go. Their buying ranges will be listed as the levels are approached.

Would use periods of weakness to accumulate recommended issues as buying ranges are reached. Expect a wide trading range over the next few months as individual issues and the averages build up base areas in a yet to be defined range.

EDMUND W. TABELL

SHIELDS & COMPANY

October 10, 1946

Closing

Dow-Jones Industrials	164.94
Dow-Jones Rails	45.69
Dow-Jones 65-Stock	59.34

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.