

Technical Market Action

After five successive days of higher closings, the market worked lower on Monday. The industrials closed down \$2.39 at 167.50 while the rails were \$1.05 lower at 48.53. However, considering the size of the reaction, the volume, at 810,000 shares, was small. Lack of buying power, rather than selling pressure, seemed to be the major factor in the sell-off. At the close prices were rallying mildly.

See no change in the technical pattern and continue to advise purchase, on weakness, of the twenty-five issues recently listed. Still believe the trading range of the last twelve weeks is a base or re-accumulation area.

As a lower priced speculation, the common stock of General Cable offers interesting profit possibilities. The technical pattern has, potentially, an extremely favorable formation. Over the past few years, the stock has had a very mediocre record marketwise. After reaching 32 1/2 in 1937, the common reacted to a low of 5 7/8 in 1938. The late 1938 rally carried it back to a fraction above 19. From that point it declined to a low of 2 in 1942. A slow rally carried it back to a high of 16 3/8 this year. In the recent reaction it reached a low of 8 1/2. Present price is around 11.

A recapitalization plan earlier in the year eliminated, through exchange, public offering and redemption, the old 7% preferred with dividend arrears of over \$50 a share and also eliminated the old "A" stock with \$4 a share in arrears by exchanging each share for four shares of common. This sharply increased the amount of common stock authorized and outstanding. The present capitalization is -

	<u>Authorized</u>	<u>Outstanding</u>
4% Cumulative 1st Pref. (\$100 par)	150,000	150,000
4% Cumulative Convertible 2nd Pref. (\$50 par) (Convertible into 3 common thru July 1, 1951) (2 1/2 shares thru July 1, 1956 and 2 shares thereafter)	150,000	150,000
Common (no par)	3,000,000	1,898,614

Earnings for the first nine months on the common were 35 cents a share, due to a large deficit in the first quarter. However, third quarter earnings were \$1.15 a share. Technically, the common stock has built up a potentially strong base area in the 10-12 area and indicates a possible good intermediate rally percentagewise. The long term pattern is also potentially favorable. The stock is one of the twenty-five issues recently recommended. It is suggested as a speculation with possibilities of wide percentage appreciation.

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<u>Closing</u>
Dow-Jones Industrials 167.50
Dow-Jones Rails 48.53
Dow-Jones 65-Stock 61.18

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.