

Technical Market Action

Monday's market was another cross current affair with some issues moving higher while others, under the pressure of tax selling and year end re-adjustment, closed fractionally lower. Changes in the averages were fractional with the industrials up 46 cents and the rails 10 cents lower. American Telephone was a feature on the upside with a gain of 3 1/4 points. Continue to like the action of the market even though the anticipated year end rally has not yet materialized. However, the action of individual issues suggests a near term resumption of the intermediate advance.

Moreover, the possibility of an important decline in prices seems extremely remote. Four months ago, the market started a decline that culminated in a low of approximately 53 points under the year's high. That decline presumably took into consideration a series of dire events that in the main, have not yet occurred. For the past one hundred and twenty days, the market has fluctuated in a relatively narrow trading range just a few points above the lows of the year. The rally from these lows has been moderate - a matter of eighteen points from the extreme low to the extreme high. If the price advance is measured from the mean of 165-170, an area in which the market has spent the majority of its time span, the rally has been even more modest. Certainly, the market does not appear to be in a weakened, overbought condition with a large speculative following. In fact, the market is probably in the soundest technical position that it has been in for several years. The speculative fringe has been largely eliminated and stocks are in strong hands. Even if some of the forecasted adversities do actually occur, the market would appear to have discounted the major part of the unfavorable developments. However, anticipation of possible trouble is no indication of its actually coming to pass.

In a nutshell, continue to advocate the purchase of selected issues in anticipation of at least an intermediate term rally to the 190-200 level in the Dow-Jones industrial average. If the advice of the past three months has been followed, recommended issues have been purchased, in most cases, quite a bit below present levels. For new purchases suggest a perusal of the list of the twenty-five recommended issues this letter has advised for purchase on weakness for the last three months. The last summary of this group was enumerated in our letter of November 27th. Also suggest a cross check with our letter of December 12th listing the intermediate term price objectives of some sixty issues. Would suggest purchase of issues that are furthest away from ultimate rally objectives.

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SHIELDS & COMPANY

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Closing

Dow-Jones Industrials	176.23
Dow-Jones Rails	51.07
Dow-Jones 65-Stock	64.42

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.