

Technical Market Action

Monday's market was a two-sided affair with strength in the motors, steels and various specialties and weakness in liquors, moving picture issues and the store group. Strong issues considerably outweighed the reactionary group, however, and the industrial average gained \$1.51 while the rails closed 46 cents higher. Volume remained below average at 980,000 shares.

Last week, we discussed the inadvisability of attempting to forecast the course of the market for 1947. We came to the conclusion that the market is now in a selective intermediate uptrend with some individual issues indicating new high levels while other issues show only negative patterns. Once the rally objectives are reached, it will be necessary to form another pattern before the direction of the next important move is indicated. The two possible patterns were (1) a slight reaction followed, after a re-accumulation phase, by a penetration of the previous high and a new bull market with price objectives considerably above the 1946 high of 213 or (2) a penetration of the 1946 low and a continuation of the bear market to a point considerably below the 1946 low of 161. While an attempt to choose between these two alternatives is largely guesswork at this stage, a clue can be found in the long term pattern of the averages and individual issues.

The base for the bull market rise was formed during the long accumulation period of almost five years between November 1937 and April 1942. Both the averages and individual issues formed patterns that indicated long term price objectives. In checking these price objectives with 1946 highs, we find the following. (1) A great many issues reached their indicated price objectives, thus indicating an end of the move and the necessity of forming a new pattern before another move was indicated. In the great majority of cases, these issues were in the consumer or soft goods group such as department stores, liquors, moving pictures, luxury items, etc. (2) A great many issues have not yet reached their indicated objectives and indicate much higher levels than their 1946 highs. Prominent in this group are the heavy goods and allied industries such as steels, railroad equipments, machine companies, building stocks, chemicals, etc. (3) The averages have not yet reached their ultimate long term rally objectives which are considerably beyond the 1946 highs.

These three indications lead to the possible conclusion that after present rally objective is reached the guess is that the most probable pattern is a backing and filling period followed by a new bull market. However, the leaders of this market will not be the sensational movers of the 1942-1946 period, but a new group of the formerly backward issues.

The only thing that is actually indicated at the moment is the intermediate upswing in which the market is now in. The rest is a possible pattern that has yet to be confirmed. No time pattern is indicated. However, believe the odds are in favor of such a development.

EDMUND W. TABELL

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SHIELDS & COMPANY

Closing

Dow-Jones Industrials	178.43
Dow-Jones Rails	51.33
Dow-Jones 65-Stock	64.99