

Technical Market Action

After a slow but firm market in the earlier hours, prices rallied quite sharply at the close on increased volume. The industrials closed up \$1.36 at 175.13 while the rails were 66 cents higher at 49.17. Volume totalled 880,000 shares with 370,000 shares turned over in the final hour.

The technical groundwork for a large price advance in the market has already been formed. Ever since the September decline, with pessimism rife, the market has done nothing worse than back and fill in a comparatively narrow range. Each wave of scare selling has done nothing more than enlarge the base patterns. In some individual issues, particularly in the heavy industry group, these base patterns are of extremely substantial proportions. For example, to mention a few market leaders, U. S. Steel, now 72 1/4, has a possible base formation that would indicate, if upside resistance at 76 is penetrated, an intermediate rally to 93 with a possibility of 115. General Motors, now 56 1/4, shows a comparable 70, Union Carbide, now 91 1/2, shows a possible 147 and Youngstown Sheet & Tube, now 65 7/8, would indicate 85-88. Secondary issues show the possibility of even more startling percentage rises.

The selling pressure has been steadily declining since early November. On the other hand, buying inclination has not increased in the same proportions. It needs some change in the investor's and speculator's psychology to increase the urge to buy. When this will happen is not known. It might be tomorrow or it might be two months from now. On the basis of present earnings, not to mention prospective earnings, many issues appear to be greatly undervalued. The technical background is all set for a substantial rise. It needs a spark to set it off.

Obviously, there is no change in our advice of the past four months to use periods of price weakness to buy recommended issues.

EDMUND W. TABELL

SHIELDS & COMPANY

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Closing

Dow-Jones Industrials	175.13
Dow-Jones Rails	49.16
Dow-Jones 65-Stock	63.46