

Technical Market Action

The market sold off sharply on Tuesday in the final hour of trading on greatly increased volume. The industrial average lost \$2.09 at 179.31 and the rails were 32 cents lower at 51.10. The small decline in the rails was due to the 14 point rise in Norfolk & Western on news of the stock split-up. Volume totalled 1,280,000 shares of which 690,000 shares, or more than half, occurred in the last hour sell-off with the tape three to five minutes late.

At yesterday's intra-day lows of 178.86 and 50.09, both averages sold fractionally below last week's lows of 179.12 and 50.62. This action, together with the large increase in volume on the downside could be interpreted in two ways.

- (1) With the market down seven out of the last nine trading days, the sharp sell-off and late tape could be considered a selling climax. The market sold only fractionally below the 181-179 support level mentioned in recent letter.
- (2) The increase in turnover on the downside and penetration of last week's lows could be considered a continuation of the minor downtrend to the very strong 176-175 support level.

In any event, from a technical viewpoint, consider the market in a definite buying area between Tuesday's close and the 176-175 area. Regardless of the general pessimism and gloom, see no indication in the technical pattern of a major decline in prices. Not far below present levels is the top of an extremely strong support area. This support area is one which the market occupied for over four months with a turnover of over 120,000,000 shares. It was an area of strong buying and weak selling. The tops of this area were the closing levels of 174.45 on September 16th, 174.96 on September 26th, 175.94 on October 15th and 174.40 on November 4th. Intra-day highs on these days were, of course, fractionally higher. Would consider these levels, reached four times, to be a tremendously strong support area and doubt very much if the market does more than touch them.

In a nutshell, further weakness, if any occurs, should be used for buying rather than selling. Technical indications still point to higher price levels.

EDMUND W. TABELL

February 25, 1947

SHIELDS & COMPANY

Closing

Dow-Jones Industrials	179.31
Dow-Jones Rails	51.10
Dow-Jones 65-Stock	65.07

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.