

Technical Market Action

Monday's market was firm and quiet for most of the day but sold off in the final fifteen minutes of trading on slightly increased volume and finished the day with minus signs. The industrials closed at 175.18, off 66 cents while the rails were down 42 cents at 48.90. Volume totalled 830,000 shares of which 270,000 shares were in the last hour.

In a recent letter, when the industrial average was around 180, it was stated that the technical pattern indicated heavy resistance both above and below the market. Roughly, the upside resistance is between 195 and 213, the distributional area in which the market held for over five months in the Spring and early Summer of 1946. There is also minor resistance at the 185 level, the low of February 1946 decline. This resistance area halted the January-February advance of this year when the industrial average reached a high of 184.96 on February 7th. The downside resistance is the 175-160 area of September-December, 1946. Both of these areas, 195-213 and 175-160, are areas of heavy turnover and comparatively narrow range. Both of these areas, for a long time, should furnish strong resistance to both the advance and the decline. It would appear that both these areas will be entered only momentarily, in periods of either extreme optimism or extreme pessimism.

At Monday's low of 174.73, the average had entered the upper part of the 175-160 support area. While the breadth of the February-March top indicates a possible dip to the 174-172 level, it would appear that the market has reached, or is very close to, a buying level. Recent action has been disappointing, inasmuch as the market has shown inability to move ahead to the upper part of the 195-175 trading area. However, the failure has been due more to lack of buying interest than to any sharp increase in selling pressure. It would appear that until the cautious and nervous attitude of the investing public ceases, the wide and erratic moves, both up and down, must be expected. Unless this possibility is realized, accounts can be definitely "whipsawed". The old adage of buying on weakness and selling on strength seems particularly applicable under present market conditions.

Believe the market is very close to a rallying point. There may be a further dip into the 174-172 area but would consider the broad area between here and 172 as a buying range. Issues that show better than market action include American Power & Light, Armour, Cudahy, General Cable, Howe Sound, Penn-Dixie Cement and Republic Steel.

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SHIELDS & COMPANY

Closing

Dow-Jones Industrials	175.18
Dow-Jones Rails	48.90
Dow-Jones 65-Stock	63.24

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.