

Technical Market Action

Considering the barrage of strike news released over the week-end, market action on Monday was relatively favorable. Both averages closed lower with the industrials down \$1.32 and the rails down 49 cents but volume was small at 630,000 shares.

Pessimism is still rife and the present situation is being compared with 1920 when both commodity prices and stock prices declined sharply until early 1922. In this connection, we draw your attention to an excellent article in the April 7th edition of the New York Times entitled "Not Recession but Transition" by Edward H. Collins. Mr. Collins points out that the consumer or "soft" goods field has had a tremendous boom and that it is only normal that some re-adjustment should take place. On the other hand, the producer or "heavy" goods have just started to turn the corner. The last paragraph of Mr. Collins article is quoted below:

"What is happening, in short, is simply that the balance between consumption goods and producer goods is being redressed in favor of the latter. This hardly suggests a close analogy with 1920. It is true, the transition may not be as smooth as one might wish, but that it is definitely under way can hardly be questioned. Neither can it be seriously doubted that it points to a boom in durable and capital goods with potentialities of the first magnitude."

This line of thought coincides almost exactly with the technical pattern of the market as outlined by this letter since the September break. Advice has been to buy the heavy and allied lines in periods of market softness. The soft goods issues, except for trading turns, have been avoided. Believe that the market leaders of the next phase of the advance will be in heavy industry field just as the 1942-1946 bull market was led by the consumer goods.

As for near term action, believe that there is a good probability that the 174-176 support area mentioned in last weeks letter will hold. Monday's low was 174.82 and the close 175.39. Ability to hold around 174 and then penetrate the recent high of 179.68 would be an extremely favorable development. A decline below 174 would be temporarily unfavorable and indicate a testing of the important 172-170 level which was the support point of both the January and March declines.

Individual stocks with favorable technical action include Consolidated Vultee, Deere & Company, Eagle Picher Lead, Evans Products, Howe Sound, National Supply, Republic Steel and United Air Lines.

EDMUND W. TABELL

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SHIELDS & COMPANY

Closing

Dow-Jones Industrials	175.39
Dow-Jones Rails	47.90
Dow-Jones 65-Stock	62.89

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.