

Technical Market Action

Pepsi-Cola has shown much better action than the general market and its technical pattern is extremely interesting. Monday's low of 25 1/4 was still above the previous 1947 low of 24 3/4 reached in January and considerably above the October 1946 low of 21 1/2. The 1946 high was 40 1/2 and the stock reached 31 1/2 in the February rally of this year. Continued ability to hold above 24 would broaden the already large base area around the 25 level. This base pattern indicates the possibility of an eventual rally to around the old 1946 high. Its technical action suggests excellent buying in the stock and indicates that it will probably hold above the rather important 24 level. Pepsi-Cola closed at 26 1/4 on Monday, a rally of a point from the day's low of 25 1/4. It would seem an interesting purchase on market irregularity

Another issue that has shown excellent market action is National Supply. Its indicated long term reaction, outlined by the early 1946 distribution range, was 13-10. This was the level mentioned in our general compilation of downside objectives listed on October 14th. The 1946 low was 11 7/8. On Monday, National Supply sold at 12 5/8 and closed at 13 1/2. The day's low was only 1/8 of a point below the previous 1947 low of 12 3/4. A substantial potential base pattern has been formed around present levels that indicates an eventual rally to around the 1946 high of 25. Earnings for the first quarter of 1947 were \$1.25 a share.

The industrial average tested the October lows on Monday and, after reaching new lows for the current reaction, rallied in the final hour to close 55 cents higher on the day at 163.55. Both the closing price of 163.55 and the intra-day low of 161.38 were above the comparable October figures of 163.12 and 160.49. The rail average reached a new low at 40.43 and closed 4 cents lower at 41.16. The 65-Stock Composite average reached a low of 56.56 and closed at 57.33 off 3 cents. If the industrials penetrate the October lows, stop loss selling could carry the market somewhat lower to a figure around the 55 1/2 - 53 1/2 level in the Dow-Jones 65-Stock Composite average. Both the New York Times and New York Herald-Tribune averages reached new intra-day lows on Monday but are close to the downside objectives outlined in our letter of October 14th. In the same compilation, the downside objectives of over 400 issues were listed. The issues that did not quite reach their objectives in October are reaching them now while others are holding. Very few issues declined below their indicated objectives. In such cases, they were in volatile groups. Regardless of the possibility of a quick shake-out before a rally, believe many individual issues have reached or are very close to their lows.

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SHIELDS & COMPANY

Closings

Dow-Jones Industrials	163.55
Dow-Jones Rails	41.16
Dow-Jones 65-Stock	57.33

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.