

Technical Market Action

In the letter of June 27th I reviewed my recommendations of the previous ten months and selected approximately sixty stocks that appeared extremely attractive from a technical point of view. Since that time a few additional issues have been added.

The list is large and is composed of all sorts and varieties of issues. Some are in the high priced group and some are in lower priced category. Some are semi-investment in character while others are extremely speculative. Some are selling near the highs of the year and others are near the year's low. However, from a technical point of view, they have two points in common. First, at some time during the past twelve months they have reached their downside objectives as outlined by the broad distribution tops of early 1946. Second, they have formed large, potential base areas that would indicate substantially higher levels if penetrated on the upside. In some instances, the upside penetration has already occurred. These issues have been underlined in the list below:

Adams Express, American Cyanamid, American Power & Light, American Metal, American Water Works, Atlas Corp., Barnsdall Oil, Bliss (E.W.), Borg Warner, Campbell Wyant, Chicago Northwest, Chrysler, Cities Service, Colorado Fuel, Granite Co., Crown Cork & Seal, Deere & Co., Doehler Jarvis, Eagle Picher, Eastern Airlines, Electric Auto-Lite, Electric Power & Light, Elliott Co., Evans Products, Fansteel, Flintkote, General Cable, General Motors, General Railway Signal, Gulf Oil, Houdaille Hershey, Houston Oil, Hove-Sound, Illinois Central, Interlake Iron, International Mineral, Jones & Laughlin, Joy Manufacturing, Libbey Owens Ford, Mullins Manufacturing, Murray Corp., National Supply, Ohio Oil, Oliver Corp., Pepsi-Cola, Phelps Dodge, Pure Oil, Rayonier, Revere Copper, Seaboard Airline, Seaboard Oil, Shamrock Oil, Sharon Steel, Simmons, Standard Oil of New Jersey, Standard Gas \$4 pfd., Texas Pacific Coal & Oil, Union Bag & Paper, Union Carbide, Union Pacific, United Aircraft, U. S. & Foreign Securities, U. S. Pipe, U.S. Steel, Westinghouse Airbrake, Wheeler Steel, Worthington Pump, Youngstown Sheet & Tube, Westinghouse Electric.

The list does not pretend to be all-inclusive. It does contain what appears to be the most attractive issues in the most attractive groups. Most of them have been recommended in the past during dips into our often recommended 160-170 Dow-Jones industrial average buying range. Two new issues, Union Carbide (closing 104½) and Union Pacific (closing 136½) are mentioned for the first time today as additions for the semi-investment type account.

Wednesday's market action was very impressive. On volume of 1,260,000 shares, the first over-a-million day since July 30th, the industrial average advanced \$2.03 to close at 178.73 and the rails closed 63 cents higher at 48.84. Monday's reaction to 174.82 and 47.38 tested last week's lows of 174.02 and 46.91. Wednesday's rally sharply penetrated last week's rally highs of 177.11 and 48.40. The minor trend is now indicated as up. This is first change of trend since the seven week correction from the July highs. It seemingly indicates that the correction has been completed and the uptrend resumed. While it is too soon to state that the public psychology has changed, Wednesday's action was a step in the right direction. Perhaps the needed spark to start the latent buying power will be a Dow Theory bull market signal. That signal will be given when the industrials and rails penetrate the July highs of 187.66 and 51.92. Continue to repeat our thought that recent decline from the July highs was a correction of the sharp, twenty-six point rally from the May lows and that the July highs will eventually be penetrated.

EDMUND W. TABELL

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SHIELDS & COMPANY

Closings

Dow-Jones Industrials	178.73
Dow-Jones Rails	48.84
Dow-Jones 65-Stock	64.08