

Technical Market Action

In spite of a dragging down market, individual issues continue to move against the trend. In our recommended group, for example, in the last two days, Borg Warner, International Paper and Standard Gas \$4 pfd. reached new high territory for the move. Others are holding close to the highs.

On the other hand, most of the market continues in a slow downdrift with the Dow-Jones industrial average on Friday at a new low closing for the move at 174.86. The previous low was 175.14 on September 8th. The rail average, however, at the closing of 47.43 held above the comparable low of 47.14. Also, the intra-day lows of 174.42 and 47.30 were above the September lows of 174.02 and 46.91.

On ten of the last fifteen trading days the intra-day lows on the industrial average has met support roughly at the 175-174 level. The low of September 8th was 174.79, September 9th was 174.02, September 10th was 174.70, September 11th was 175.31, September 12th was 174.98, September 15th was 174.82, September 16th was 174.73, September 24th was 175.27, September 25th was 174.92 and Friday's low was 174.42. On all of these testings, volume was low. This was also true on the new low closing of the industrials on Friday when volume was only 640,000 shares.

The 175-174 level appears to be a pretty good support point and the volume indications and action of individual issues hardly point to a severe decline from present levels. Even a penetration of 174 should not result in much more than moderately lower levels to possibly 172-171 in the industrials and 45-44 in the rails.

A number of issues appear to be at or close to buying levels. As mentioned in our last letter, believe Standard Oil of New Jersey attractive in the 73-71 area and Gulf Oil attractive around 66. Friday's closings were 72 7/8 and 66 3/4. Cities Service, which closed at 36 on Friday, would appear to be a purchase in the 35-34 area. Union Carbide reaches a very strong support level in the 101-97 area. Its close on Friday was 101. Union Pacific with a Friday close of 135 is also in the 135-130 support area.

All of the above issues are in our recommended lists. Two other issues, both very speculative, are also beginning to build up interesting patterns. They are American Car & Foundry and Schenley.

American Car & Foundry reached a low of 36 in May and rallied back to 52 in July. A minor top has been built up in the 52-49 area which suggests a dip to 42. Friday's close was 44. Would appear to be an attractive speculation around 42 as a substantial longer term base pattern has been built up.

Schenley dropped from a high of 100 in 1946 to a low of 23 1/2 this year. A substantial base pattern has been built up in the 24-32 area. The base area was recently penetrated on the upside and the stock rallied to 37. It has since declined and Friday's close was 33 1/4. Would consider the 33-31 area a buying zone for an intermediate term rally into the 40-50 area.

The rails have acted relatively better than the industrials during the correctionary decline of the past two months. It could well be that this group would be the leaders of the next rally. On excellent buying signal, from a technical point of view, would be the ability of Atchison, Topeka & Santa Fe to reach 85. It would break an important downtrend line at that point and possibly signal an uptrend in the rails before the rail average does so.

No change in our opinion that the market is in a longer term accumulation area and should be bought on any approach to the 170-160 area, which has been our oft repeated buying zone of the past twelve months. For the shorter term, believe the 175-174 area should hold but if it does not, believe the decline should hold in the 172-171 zone.

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September 26, 1947

Closings

Dow-Jones Industrials	174.86
Dow-Jones Rails	47.43
Dow-Jones 65-Stock	62.69

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.