

Technical Market Action

Youngstown Sheet & Tube continues to show excellent technical market action and, at Monday's closing of 70 3/4, is selling above U. S. Steel which closed at 70. Both stocks are in our list of recommended issues with Youngstown originally recommended in 62-60 buying range while U.S. Steel was originally recommended in the 67-64 range. With both stocks selling at approximately the same price and paying the same dividend, it seems unnecessary to keep both issues in the list. While U.S. Steel indicates a higher price level over the longer term, believe it will be outpaced by Youngstown. Therefore, we are dropping U.S. Steel from our list of recommended issues and in the higher priced steel group, concentrating on Youngstown Sheet & Tube. Have previously suggested switching Bethlehem Steel into Youngstown. Other steel issues which we still recommend holding for substantially higher levels are Jones & Laughlin, Sharon Steel and Wheeling Steel.

Since the July highs, a number of issues have been holding in broad trading ranges. Usually a penetration out of the range indicates a sizeable near term move in the direction of the penetration. Three of our recommended issues have moved out of this type of formation on the upside and are continuing their excellent technical action, namely, Borg Warner which equalled its previous high of 52 1/4 on Monday, and International Paper and Standard Gas \$4 pfd. both of which reached new highs for the move at 54 1/4 and 30 1/2. Nearer term price objectives for these issues are 57 for Borg Warner, 59-61 for International Paper and 33-37 for Standard Gas \$4 pfd. Listed below are a number of other issues that have built up a similar type formation. The upside and downside penetrations are listed together with price objectives for both the up and down trend. Based on the general market action and the fact that penetrations so far have been on the upside, lead to the expectation that ultimate breakout will be on the upside. The indicated price levels are for the shorter term and are not to be confused with longer term objectives. Issues marked with an asterisk are in our recommended list.

	<u>Last Sale</u>	<u>Upside Penetration</u>	<u>Would Indicate</u>	<u>Downside Penetration</u>	<u>Would Indicate</u>
Alleghany, pfd.	37 1/2	40	44-46	34	27
American Smelting	59 7/8	65	72-74	57	53-49
Atchison, Topeka & S.F.	82 1/2	85	100-105	79	75
Case (J.I.)	38 1/2	41	44-46	36	33
*Chrysler	58 1/2	61	66-71	56	52-48
DuPont	188	193	202	186	182
*Illinois Central	26 1/4	28	32-35	24	22-20
*Jones & Laughlin	32 3/4	35	41	30	30-28
Southern Pacific	43 1/4	45	50-55	40	37
Southern Railway	37 1/2	41	44-47	35	32
*Youngstown Sheet & Tube	70 3/4	71	77-78	64	58

A number of other issues in our recommended list have seemingly had a sufficient correction of their advance from the May lows and would appear to be at or close to a buying range. In this group, among others, are American Cyanamid (44), Colorado Fuel & Iron (14 5/8), General Railway Signal (25 1/2) National Supply (18), Pepsi-Cola (28 3/4), Worthington Pump (56), and Westinghouse Electric (27).

The market reversed its usual Monday procedure of the last two months by closing 99 cents higher. Once again the industrial average held at the 174-175 support area and pulled away. The rail average also closed 29 cents higher. Indications still point to the 175-174 area as a strong support level, but even if this support were broken, would expect only moderately lower levels to possibly the 172-170 area. The first indication of a change of trend would be the ability of the averages to penetrate 179.37 and 49.02. The next objectives would be the July high of 187.66 and 51.92. Believe the wide trading range of the last year, between roughly 187 and 161, has been a period of accumulation and that the highs of July will be ultimately penetrated. The timing depends on when the public begins to realize that stocks are one of the few forms of property that are still selling at pre-war bargain levels.

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