Technical Market Action

Ever since the market break of over a year ago this letter has consistently stressed two points. The first point was that the 160-170 level of the Dow-Jones industrial average was a long term buying range and that the base formed in that area would ultimately be the foundation for a new bull market. The 160-170 area was reached at least a dozen times with low levels of 160.49 in October, 1946, and 161.38 in May of this year. The second point was that the market leaders of the new advance would not be the sensational movers of the 1942-1946 advance, such as the moving picture issues, department stores, liquors and other luxury item issues, but that the new leaders would be found in the groups that were comparative laggards in the 1942-1946 advance.

This letter favored such groups as the steels, agricultural implements, machine companies, oils, building stocks, chemicals, etc. We further stressed this selectivity by mentioning that even in the same groups, some stocks had attractive technical patterns while others in the same group had relatively unfavorable patterns. For example, we have mentioned, on occasion, that Phelps Dodge appeared more attractive than Anaconda, that Illinois Central and Northern Pacific appeared more attractive than Pennsylvania or New York Central and that Youngstown Sheet & Tube appeared more attractive than Bethlehem Steel. How this selectivity has worked out can be noted in comparing the two tables below. The first or left hand column is composed of issues in our recommended list with prices at the lows of May 19th, the day the average reached 161.38, compared with Friday's close. The second or right hand column is composed of issues that had relatively unfavorable patterns.

	Low May 19th	Friday's Close		Low May 19th	Friday's Close
Barnsdall Oil	21 1/8	31 1/8	Air Reduction	29 7/8	29
Bliss (E.W.)	18 1/2	33	American Can	86 3/4	86
Borg Warner	37 5/8	53 3/4	American Telephone	159 5/8	156 1/2
Chrysler	45 7/8	62	Bridgeport Brass	13	12 7/8
Cities Service	25 3/8	37 1/8	Cerro de Pasco	30	30 1/2
Electric Pr. & Lt.	11 1/4	18 1/4	Consolidated Edison	25	25
Flintkote	24	38	Continental Can	35	36
General Cable	8	12 1/4	Corning Glass	34 3/4	24 3/4
Illinois Central	18 1/8	27	Decca Records	15 3/8	13
Inter. Minerals	22 1/4	32	Eversharp	12 5/8	13 1/2
Joy Manufacturing	28 1/8	39 3/4	Gt.Western Sugar	22 1/8	23 1/4
Mullins Mfg.	14 3/4	23 1/4	Inter. Nickel	29 1/2	29
National Supply	12 5/8	19 1/4	Lambert	28 1/4	27 1/4
Rayonier	17 3/8	28 7/8	Loew's	20	19 7/8
Sharon Steel	24 3/4	37	Nopco Chemical	42 1/2	36
Texas Pacific Coal	25 1/2	38 3/8	Norwich Phar.	13	13
Union Bag	25 1/2	36 1/4	Oppenheim Collins	20	16 3/4
Union Pacific	122	139 1/2	Paramount	22 3/4	22 1/2
Wheeling Steel	31	48 1/8	Pennsylvania R.R.	17 7/8	17 7/8
Youngstown Sheet & T	54	75 5/8	Twentieth-Cent.Fox	26 3/4	25 3/4

Thus, it is evident that stocks in the first column, bought at the May lows, show substantial profits at today's prices. On the other, the stocks in the second column with the averages almost twenty points higher, show little or no profit or a loss.

Believe that the market will continue to be selective. While a great many issues have completed their base patterns and indicate substantial uptrends, other issues are in the early stages of accumulation and require a long period of backing and filling before a worthwhile move is indicated. At this stage of the market, a great deal can be lost by riding the wrong horse or holding onto laggard issues in the vain hope that they will join the advance momentarily.

The market on Friday continued the advance started on the previous day and closed at a new high for the move from the September lows. The rails have been laggard but would expect this group to join the advance shortly.

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SHIELDS & COMPANY