

Technical Market Action

A number of companies whose stocks are on our recommended list have recently reported earnings for the nine months ending September 30th. These earnings are listed below together with the projection for the full year. This projection was arrived at by the rather unscientific method of simply using the rate of earnings for the first three quarters for the last quarter. Admittedly, due to seasonal factors, this may result in some distortions, but the figures are interesting.

	<u>Nine Months Earnings</u>	<u>Projection Full 1947</u>	<u>Last Sale</u>
Barnsdall Oil	\$2.82	\$3.76	33
Colorado Fuel	1.13 a	4.52	17
Doehler Jarvis	5.66	7.52	38 1/4
Eagle Picher	3.52	4.68	24
Flintkote	4.91	6.56	36 3/4
General Cable	2.09	2.76	12 3/4
Illinois Central	7.39 b	11.04	28
Interlake Iron	1.77	2.36	14 1/8
Mullins Mfg.	6.57	8.76	25 7/8
National Supply	4.67	6.20	22
Revere Copper	4.91	6.52	21 3/4
Sharon Steel	7.71	10.28	38
Union Bag & Paper	6.91	9.20	35 1/2
Union Carbide	5.78	7.92	106
Union Pacific	14.18	18.88	47
Westinghouse Air Brake	3.08	4.09	37 1/2
Worthington Pump	13.84	18.44	62

a. Quarter ending September 30th.

b. 8 mos. ending August 31st.

All of these issues have favorable technical patterns and indicate substantially higher levels. With price to earnings ratios of from approximately 13 to 1 for a growth investment issue like Union Carbide to ratios of 3 or 4 to 1 for more speculative issues, there seems to be ample room for price enhancement even though earnings may ease off somewhat over the next year. In fact, what is needed is not an increase in earnings but a change in a public psychology that is valuing earnings at a fantastically low ratio. A valuation of ten times earnings would result, in many instances, in a doubling of present prices even though earnings declined 25%. All of these issues appear to be promising vehicles for further price advancement.

In checking over our list of recommended issues, we have noted a number of issues that have been rather laggard and backward. Although these issues have potentially favorable patterns, it would appear that it would be advantageous to switch into issues with a more promising immediate technical picture.

American Metal was recommended for purchase in the 26-23 buying range. Tuesday's close was 29. Advise switching into Celotex Corporation which closed at 28 1/2. Earnings for the nine months ending June 30th were \$4.76 a common share and the stock has built up a favorable technical picture with a long potential base area in the 32-20 area. An upside penetration would indicate substantially higher levels. Celotex Corporation is a new addition to our list.

Crane & Company was recommended for purchase in the 35-30 range and closed at 36 1/4 on Tuesday. Howe Sound was recommended for purchase at 36. Tuesday's close was 36 1/2. Believe both of these issues can be advantageously switched into International Minerals & Chemical. This stock, which closed at 33 1/2 is already part of our recommended list. The pattern is favorable and the recent penetration of its long trading range indicates the possibility of a more immediate move than in the two issues above.

Electric Autolite, recommended in 54-55 range, closed at 55 3/4 on Tuesday. Libbey-Owens-Ford Glass, recommended in the 50-47 range, closed at 54 1/2 on Tuesday. Both have been rather laggard and suggest switching into Worthington Pump. As noted above, earnings on this issue are at the rate of over \$18 a share and at Tuesday's closing of 62, the issue seems reasonably priced.

EDMUND W. TABELL

SHIELDS & COMPANY

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