

Technical Market Action

The market broke sharply on Friday to reach a low of 175.46 on the industrials and 46.00 on the rails. Volume increased, particularly in the fourth hour when the tape was several minutes late. Total volume for the day was 1,290,000 shares. The sell-off in the industrial average was accentuated by a 7 1/4 point drop in Allied Chemical which declared an extra dividend but failed to split the stock as rumored.

Friday's sell-off appeared to have some of the characteristics of a selling climax. While the comeback from the lows was not particularly impressive, several groups that have hitherto been weak seemed to meet good support. This was particularly true in the rails, utilities and some of the merchandising issues. While the decline was sharp, the industrials held in the 177-175 support range mentioned in our previous letter.

Our recent comments on individual issues have centered on issues that have been acting better than the market. These stocks, even at present prices, are considerably above the originally recommended prices and the lows of the year and are not targets for tax selling. It might be appropriate at the moment to draw attention to a number of issues that have been heavily depressed by tax selling but appear to be at or near their downside objectives as measured by the broad distribution areas of early 1946. As tax selling abates later in the month, these issues could have a good technical rebound in the process of building up their base patterns.

The list follows:

	<u>1946</u> <u>High</u>	<u>1947</u> <u>High</u>	<u>1947</u> <u>Low</u>	<u>Last</u> <u>Sale</u>
Allegheny Ludlum	61 1/8	48 1/2	27 3/4	28
American Cyanamid	63 3/4	54 1/2	39	39 1/2
Atlas Corporation	34 3/8	26 1/2	21 5/8	22
Consolidated Vultee	33 5/8	17 7/8	10 1/2	12
Eastern Air Lines	33 3/8	24 1/4	16	16 1/4
Evans Products	33 3/4	24 1/2	18	18 5/8
Fansteel	42	22 3/4	12	12
General Railway Signal	48	31 1/2	19	21
Pepsi-Cola	40 1/2	34 1/8	22	22 1/2
Seaboard Airline	37 3/4	24 5/8	11 1/4	13 1/2
Twentieth Century Fox	63 7/8	38 3/4	21 5/8	22

While these issues may be subject to some further tax selling as the month goes on, would take advantage of any weakness to add to the list.

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SHIELDS & COMPANY

Closings

Dow-Jones Industrials	176.10
Dow-Jones Rails	46.28
Dow-Jones 65-Stock	61.92

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.