

Technical Market Action

The rails continue their excellent technical action and, at Monday's high of 50.15, had decisively penetrated the November high of 49.28. This is extremely encouraging from a technical point of view and indicates the probability of a nearby testing of the July high of 51.92. To some students of the Dow Theory, a penetration of that level would indicate a new bull market signal because, while the rails had reached a higher level of 53.65 in February, the average declined to a new low of 40.43 in May. Since that time, it rallied back to 51.92 in July and the recent decline held at 46.00. Ability to rally above 51.92 would, therefore, indicate a new major uptrend. The industrial average signalled a major uptrend in July when the average penetrated the February high to reach 187.66. Confirmation of this uptrend by the rail average would complete the pattern of a new bull market. However, other Dow Theory schools of thought would possibly require a penetration of the July high of 187.66 in the industrials as well as the February high of 53.65 in the rails.

All of this is possibly interesting but only of academic importance. There have been a large number of individual issues that have been in bull markets of their own for the past year. The oils have been an outstanding example of this type of action. There are nine oil issues in our recommended list. They are tabulated below with their originally recommended level and approximate longer term price objective as determined by their individual technical patterns.

	Originally Recommended At	Last Sale	Approximate Indi- cated Price Objective	
Barnsdall	21	37 1/2	41 - 45	948 1/4
Cities Service	28	38 1/4	62 - 65	44 5/8
Gulf Oil	60	71 3/4	86 - 89	66 3/4
Houston Oil	17-15	27 3/8	40	81
Ohio Oil	23-21	31 1/8	38 - 41	3 3/4
Pure Oil	23 7/8	27	36 - 42	43
Seaboard Oil	25-23	37 1/2	42 - 49	42
Standard Oil of N.J.	66 5/8	76 3/4	90 - 100	59 1/2
Texas Pacific Coal & Oil	29	44 1/8	59	97 3/8
				47

Several, mostly producing issues, made new highs for the year on Monday. In some instances these issues have reached a higher price level than at the bull market top of 1946. It will be noted also that some issues have moved ahead faster than others and are closer to their ultimate price objectives.

The industrial average, at Monday's high of 180.56, was in the lower part of the 180-185 range in which the market held for most of October and November. This area may furnish some upside resistance and would expect a consolidation and a shifting and rotating of strength as the market attempts to break through this resistance.

Continue to advise purchase of recommended issues during periods of market irregularity. Believe that eventually both averages will be penetrated upside. If this occurs, would expect 210-215 and 65-70 to be the ultimate intermediate term objectives. However, would continue to concentrate on the technical patterns of individual issues rather than the averages.

EDMUND W. TABELL

December 15, 1947

SHIELDS & COMPANY

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.

1600