

# Technical Market Action

After the rail average had reached 54.17 on Monday, a new high above all the six previous highs since the September 1946 decline, profit taking took its toll and both averages worked lower in the final hour. The rail average lost \$1.13 and the industrials were down \$1.51. The most encouraging feature was the volume at only slightly above a million shares. While this was above Friday's restricted volume of 700,000 shares due to storm conditions, it was below the average of recent trading days.

While Monday's action was disappointing, do not believe it has other than temporary significance. Much more important is the improved action of the rails. As we have mentioned before, this is the first time in almost two years that this group has been able to lead the market. As for the near-term, the failure of the industrials to confirm the advance by the rails indicates that some further irregularity may be encountered before the advance is resumed. Would expect the 179-175 area to be an effective support zone in the industrial average while the area between 52 and 51 is a strong downside resistance area in the rail average.

As long as any decline in the industrial average holds above the September low of 174.02, there is no particular significance to the backwardness in this group. A decline below that figure, while of no long term significance, would indicate a return to our long term buying range of 170-160. This would be disappointing from a time angle but would greatly enlarge the potential base area. In that case, intermediate term indications would be much greater than the 210-215 now indicated if the July highs are penetrated.

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## Closings

Dow-Jones Industrials	179.53
Dow-Jones Rails	52.72
Dow-Jones 65-Stock	64.90

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.