

## Technical Market Action

The industrials held above the lows of both September and December on Wednesday and Thursday and there is the possibility that a triple bottom pattern may be in the process of formation. The September low was 174.02 and the December low was 175.19. The lows of Wednesday and Thursday were 176.50 and 176.54. The rails, of course, are considerably above the comparable September and December lows of 46.91 and 46.00. Thursday's low on the rails was 50.99. Thus, both averages have, so far, held in the downside resistance areas mentioned in this letter ten days ago, namely, 179-175 and 52-51. Volume indications were also favorable with transactions on the retesting falling off to 820,000 shares on Wednesday and 780,000 on Thursday. Ability to hold again in the trading range of the last six months would be very constructive. A downside penetration, while in no way altering the major term implications of a long period of reaccumulation, would indicate a dip to the upper part of our old 170-160 buying area which has been entered on numerous occasions in the past seventeen months.

The current weakness has brought a number of recommended issues down to what would appear to be advantageous buying levels for those who did not purchase at the lower price levels at our time of original recommendation. Also, a number of others, which we were watching closely for a buying spot, are down to what would appear interesting price levels.

Bliss (E.W.) closed at 26 7/8. It was originally recommended in the 18-20 range but it is down sharply from the 1947 high of 35 1/8. It is in the favored heavy machinery group and indicates considerably higher levels for the longer term.

Cities Service closed at 35 5/8. This stock was originally recommended in the mid-20s. It is down approximately six points from its 1947 high of 1947 and appears ready to resume its uptrend.

Deep Rock Oil closed at 37. This issue has had a 1947-1948 trading range of 45 7/8 and 28 1/2. Earnings for 1947 are estimated at \$8.00 a share. It is in the lower range of a broad 37-45 trading shelf and appears to be behind the oil group. This is a new recommendation.

Denver Rio Grande & Western closed at 18. It is a newly recommended issue in our rail group. This reorganized rail is close to the top of its 1947 range of 19 3/8-6 3/4, but the pattern suggests higher levels. 1947 earnings are estimated at close to \$6 and, on the basis of the recent freight rate increase, earnings of \$12 - \$14 are possible in 1948.

Distillers Corp-Seagram closed at 15 1/4. The stock has built up an interesting pattern in the 18 1/4 - 11 1/4 range. Earnings have held up well and totalled \$4.88 for the latest fiscal year. Earnings for the three months ending October 30th were \$2.18 a share. The issue appears undervalued from a technical viewpoint. This is a newcomer to our recommended list.

Hewitt-Robins closed at 25 1/2. The 1947 range is 29 1/2-20. This rubber products company has built up a sizeable potential base area in the 29-20 range. The stock appears attractive. This is also a newly recommended issue.

Mullins Manufacturing closed at 22. It is down over five points from the recent high of 27 1/2 and is at the strong 22-21 support level. Purchase is advised. Estimated earnings for 1947 are \$7-\$8 a share.

Rheem Manufacturing closed at 23 5/8. The stock has built up a strong potential base area in the 25-19 range and an upside breakout would indicate substantially higher levels. It appears to be an attractive purchase. This is also a newly recommended issue.

Sharon Steel closed at 33 1/2. The 1947 range was 40 5/8 - 24 3/4. The stock is close to our originally recommended level and at a strong support point. Purchase is recommended.

Visking Corporation closed at 32 3/4. It is near the 1947 low of 31. The high was 38. It appears to be building up a substantial base pattern. Purchase is recommended. This is the first recommendation of this issue.

Wheeling Steel closed at 41 3/4. It is down over 11 points from the 1947 high of 53 1/8 due to selling advice from an advisory service. From a technical viewpoint believe the stock should be bought in this area.

Youngstown Sheet & Tube at the closing price of 73 3/4 is also close to a strong support level.

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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.