

Technical Market Action

This letter has quite often drawn attention to the diverse technical patterns not only between different groups but also between individual issues within the same group. For example, in the past, we have drawn attention to the more favorable technical pattern of Phelps Dodge in comparison with that of Anaconda and of Illinois Central in comparison with Pennsylvania and New York Central. With the release of the 1947 earnings statement of Westinghouse Electric Corporation, showing earnings of \$3.58 per share, it might be interesting to compare its technical pattern with that of General Electric.

Westinghouse Electric was split four for one in 1945 so all prices mentioned are on the basis of the new stock. General Electric reached a high of 52 in early 1946 while Westinghouse's high for that year was $39 \frac{3}{4}$. Both issues built up sizeable potential distributional patterns in the first six months of 1946. At the October 1946 lows, when the Dow-Jones industrial average reached 160.49, General Electric reached a low of $33 \frac{1}{2}$ and Westinghouse reached a low of $21 \frac{1}{8}$. On the subsequent rally to the February 1947 highs, General Electric's high was $39 \frac{7}{8}$ and Westinghouse rallied to $28 \frac{5}{8}$. On the decline to the May 1947 lows of 161.38 in the averages, General Electric declined to a new low at 32 while Westinghouse held at $22 \frac{1}{2}$, as compared with the previous low of $21 \frac{1}{8}$. This relatively more favorable technical action of Westinghouse over General Electric continued on the rally to the July 1947 highs when General Electric, at a high of 39, failed to reach its previous February high of $39 \frac{7}{8}$ while Westinghouse penetrated the previous $28 \frac{5}{8}$ high to reach 31. Again, on the recent decline, General Electric, at $32 \frac{1}{8}$, came within an eighth of a point of its previous low, while Westinghouse held at $25 \frac{1}{8}$ as compared with the May low of $22 \frac{1}{2}$.

This relatively more favorable technical action of Westinghouse over General Electric is not new. General Electric reached a high of $64 \frac{7}{8}$ in 1937 but in 1946, with the industrial average at 213 compared with 198 in 1937, it could only reach 52. Westinghouse, on the other hand, at its 1946 high of $39 \frac{3}{4}$, came much closer to the 1937 high of $41 \frac{7}{8}$. On the downside, General Electric at its 1942 low of $21 \frac{1}{2}$, sold below the previous 1938-1940 low of $26 \frac{1}{4}$ while Westinghouse, at $15 \frac{3}{4}$ in 1942, held at its previous low.

The above facts, taken together with present patterns of both stocks, indicates, in my opinion, that from a strictly technical viewpoint, Westinghouse Electric at Thursday's closing price of $26 \frac{1}{4}$, has more attraction than General Electric at $32 \frac{7}{8}$.

The market turned down again on Thursday and lost all of the previous day's gains. Volume was small however, and at 620,000 shares was even less than the 710,000 shares traded on Wednesday's advance. A few issues were able to move against the trend and the market continues to have a more or less sold out appearance. However, nothing is indicated until both averages are able to decisively penetrate the recent range. On the upside these points are 169.23 and 49.37 and on the downside, 164.07 and 47.48. Thursday's closings were: Industrials 167.52, Rails 48.75.

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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.