

Technical Market Action

In my opinion, the odds now favor the probability that the oft-mentioned 170-160 buying range in the Dow-Jones industrial average will not be entered again prior to a penetration of the 187.66 high of the industrials and the 54.17 high of the rails.

Saturday's action was very favorable from a technical viewpoint. Saturday's lows were 170.76 and 50.82 and Friday's highs were 169.75 and 50.46. Thus there is an upside gap of \$1.01 on the industrials and 36 cents on the rails. It is interesting to note that on February 10th, on volume of 1,460,000 shares the averages broke \$4.17 and \$2.00 and left a downside gap of 41 cents between 169.33 and 168.92 on the industrials and a downside gap of 35 cents between 49.97 and 49.62 on the rails. Thus, Saturday's action leaves the entire trading range of the past six weeks in sort of a little island detached from the rest of the pattern. This type of double gap is known as an "island reversal" and quite often indicates an important change in trend. It also is interesting to note that Saturday's upside breakaway gap occurred on volume of 1,260,000 shares or at the rate of over 3,000,000 shares for a full day.

Monday's market absorbed quite a bit of profit-taking but managed to close 54 cents higher on the industrials at 173.66 and only 2 cents lower on the rails at 51.76. Volume was 2,040,000 shares.

The market appears headed for higher levels. Obviously, the advance will not be in a straight line. There are resistance areas at 175-176 and at 179-181 and again at 185-187. However, the action of the market indicates that if purchases have not already been made in the 160-170 buying range they should be made on slight price dips. Advise previously recommended issues, particularly the thirty-one stocks specially recommended in our letter of February 11th.

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March 22, 1948

Closings

Dow-Jones Industrials	173.66
Dow-Jones Rails	51.76
Dow-Jones 65-Stock	63.04