# Technical Market Action

The industrials reached a new high for the move at 180.63. The market gives the appearance of slowly eating through the 181-179 resistance which has held back the market for the last ten trading days. The process has been slow but each successive push has succeeded in carrying a little bit deeper into the resistance as witness the 179.31 high of April 7th, the 180.19 high of April 12th, and Friday's high of 181.69. During this ten-day period the low was 177.70 which was reached on the first day of the entry into the 179.181 resistance area.

At Friday's high of 181.69, the average was very close to the December 31st high of 181.82 which was the top of the last intermediate upmove. Penetration of this level would be technically important and indicate a further rally to the 185-187 resistance and a testing of the July high of 187.66.

Whether the market succeeds in penetrating the 181.82 high immediately or after a minor setback is of no great long term significance. The amount of potential buying power that is awaiting a reaction will most likely limit any decline to relatively minor proportions. The technical pattern indicates that short term traders and those investors who have missed the advance should add to holdings on minor dips to 176-175 (if it occurs) or on a penetration to 182 on the industrial average.

The rail average has, of course, already given a bull market signal of its own by penetrating the January high of 54.17, which was the high of the long trading range since September 1946. The penetration has been decisive with the rail average reaching a high of 56.54 on Friday. The long term indication on this average is now 75-80. The first important resistance is at 60.

If the industrial average penetrates the July high, the long term indication would be above 250. I made this statement recently at a round table discussion of market prospects and it was greeted by raised eyebrows. It is perhaps a commentary on the depressed state of thought of the last eighteen months. While general sentiment is changing, it is still tinged with pessimism and doubt. There is no reason why such a long term objective should be considered startling. In fact, it is quite modest. It would mean a rise of about 55% from the 1947 low of about 160. This would be the smallest percentage rise for a bull market in the last twenty-five years and one of the smallest on record. The recent 1942-1946 bull market was over 100% and even the short 1938-1939 bull market was 60%.

While a penetration of the 187.66 high must be awaited before a definite confirmation of a new bull market is indicated, continue to believe that the trading range of the last eighteen months is an accumulation area indicating considerably higher levels over the longer term. Some resistance and correction may be encountered before the July high is penetrated but my work indicates that no worthwhile reaction is indicated until the market reaches 195-200 on the industrials and about 60 on the rails. At that point, would expect a third or half correction of the advance from the February lows. This might carry the averages back to 185 and 55. Believe any intervening correction will be of only minor importance.

EDMUND W. TABELL

April 16, 1948

SHIELDS & COMPANY

Closings

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| Dow-Jones Industrials | 180.63 |
| Dow-Jones Rails | 55.86 |
| Dow-Jones 65-Stock | 66.10 |