

Technical Market Action

The market on Monday had its first technical correction since the start of the rise in late March. After reaching a high for the move of 184.48 on Friday, the market reacted to a low of 180.93 on Monday on a volume of less than 1,500,000 shares. The weakness carried over into Tuesday morning and the average reached a low of 180.07, a correction of \$4.41 from the high of the move. The rail average reacted from a high of 58.71 last week to a low of 57.18, a decline of \$1.53. The market rallied in the later part of Tuesday's session and continued firm on Wednesday. The rails, at Wednesday's high of 58.50, regained most of their loss.

Believe the reaction is of only minor significance and is typical of bull market corrections - that is, a sharp, sudden dip followed by an equally sudden comeback. In most cases, trying to take advantage of these sudden dips results in losing a position in an uptrend as all stocks do not decline. For example, on Monday's decline, 671 closed lower but 212 closed higher and 180 were unchanged. Also on Monday, 64 issues made new highs for the year. There is no change in my opinion that there will be only quick, sudden technical reversals of minor importance like that of Monday-Tuesday until the industrial averages reach 195-200. From that point, would expect a full-fledged intermediate correction of the advance from 165. This should result in a retracement of one-third to one-half of the advance but would expect such a decline to meet support in the 187-185 area.

As for individual issues, it would seem that some new leaders may come into the picture. The oils, for example, have had sensational upward moves and appear in need of some consolidation. Some of the laggards may come into the picture at this point. I have been advising avoidance of the store and textile issues since May 1946 and also throughout the trading range of the last nineteen months. However, a few of these issues have now built up rather favorable patterns. I like Gimbel (22) in the store group and United Merchants (17 7/8) in the textile group. The rails still look attractive despite their already sharp advance. Some of the secondary issues in the group may be in the foreground from here on.

Baltimore & Ohio, Chicago Northwestern, Seaboard Air Line and St. Louis, San Francisco appear attractive.

EDMUND W. TABELL

SHIELDS & COMPANY

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Closings

Dow-Jones Industrials	181.01
Dow-Jones Rails	58.21
Dow-Jones 65-Stock	67.01

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.