

## Technical Market Action

The market was stronger on Monday and the rail average reached a new high for the move at 59.21. The rail average is now approximately five points above its previous high of January while the industrials, at Monday's close of 181.09, are still over seven points below their July 1947 high of 187.66. Ever since September the rails have been the leaders in every advance just as they were in the 1942-1946 bull market. Monday's strength in the rails may indicate an end of the minor correction of the upswing from March and an attempt by the industrials to confirm the rail penetration and signal a new bull market. I am still of the opinion that the industrial average will reach 195-200 before a full one-third to one-half correction of the advance from the February-March lows. However, if this hypothesis proves to be incorrect, it would only require a further dip to 178-175 to complete a one-third correction of the 19 point advance from 165 to 184. Continue to advise a fully invested position in recommended issues.

Celotex Corporation was recommended for purchase at 28 1/2. Last sale was 27 3/4. The 1946-1948 range was 38 1/8 high and 19 7/8 low. This insulating material issue has an excellent potential technical pattern with a seeming head and shoulders bottom formation at the points 23, 20 and 23 which were the bottoms reached October 1946, May 1947 and February 1948. Ability to reach 31 would be extremely constructive and penetration to 34 would confirm the entire technical pattern and indicate substantially higher levels. The stock appears to be a very interesting speculation. Purchase is advised.

Certain-teed Products was recently recommended for purchase at 16 3/4. Last sale was 16 1/8. The 1946-1948 range was 25 7/8 high and 11 5/8 low. This stock also has a potentially attractive pattern. No uptrend signal has yet been given. A penetration to 20 would be favorable and 22 would confirm the formation as strongly bullish. Believe the stock to be a good speculative purchase.

Chicago North Western Railway has been in and out of our list on several occasions. The last purchase recommendation was made at 18 3/8. The last sale was 18, and the 1946-1948 range was 43 1/2 high and 13 1/2 low. This stock has been a laggard in the rail group and is still selling close to its low of the last four years. However, the technical pattern, while it has given no definite upside indication, has the appearance of being in the process of forming a very large base pattern. The stock is speculative but has extreme leverage. It sold as high as 49 1/2 in 1945 and paid \$5.00 in dividends in 1944 and \$3.00 in 1945. \$1.00 was paid both in 1946 and 1947. The stock appears to be a good speculative purchase based on the possibility of large potential percentage appreciation if the technical pattern is confirmed as bullish. 20 and 24 are important upside confirmation points.

Cities Service Company was originally recommended for purchase at 28 1/2. The last sale was 50 1/4 and the 1946-1948 range was 50 1/4 high and 20 1/4 low. The high was reached last week and again on Monday. The longer term technical indications on this issue point to ultimately higher levels but the intermediate term base formed in the September 1947 to March 1948 period suggests a rally to the 49-51 area. This area has been entered and it would seem advisable to take profits as, from a technical viewpoint, it would appear that at least a consolidating period is needed to build up a further base area. This may take time and in the meanwhile other recommended issues may show more price advance. I am temporarily dropping Cities Service from the recommended list.

Colorado Fuel & Iron was originally recommended for purchase in the 12-10 buying range. The last sale was 15 1/4 and the 1946-1948 range was 23 3/4 high and 10 1/4 low. The stock is a rather slow moving issue but it appears to be in a definite uptrend with low full figure points of 11, 12 and 13 on the three declines since September 1946. The successive highs have been 16 and 18 and it would appear that the last high will be topped on this phase of the advance.

Columbia Gas System was recommended in our special letter of February 11th at 10 1/2. The last sale was 12, and the 1946-1948 range was 14 high and 8 1/2 low. In line with the change of operations of the company, the name has been changed from Columbia Gas & Electric to the present title. The company is a natural gas holding company. The stock is not a volatile performer but the technical pattern is excellent and a slow but steady percentage rise is indicated. Purchase is advised.

Crown Cork & Seal was recommended in the equivalent of a 17 1/2-16 1/2 buying range on the basis of the new stock. The last sale was 21 3/4. While the issue has a favorable technical pattern, its upside indications are not as great as other issues in our recommended list. Suggest taking profits and switching into Electric Power & Light, Celotex or Square D. TP

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The opinions expressed in this letter are the personal interpretation of SHIELDS & COMPANY Mr. Edmund W. Tabell and are not presented as the opinions of Shields & Company.