

Technical Market Action

Glancing through the approximately fifteen hundred issues in my chart portfolio, one is immediately struck by the many diverse technical patterns in individual issues. With the Dow-Jones industrial average holding in an extremely narrow trading range of less than 17% for almost twenty months, many individual issues have advanced over 100%. Most of the issues with sharp advances have been in the oil group. A few have been rails. On the other hand, many issues in other groups are selling lower today than they were at the May lows of almost a year ago despite a rise of more than twenty points in the averages. Seldom has there been a period when stock selection has been more important.

While the technical formations of individual issues have quite different patterns, they fall roughly into three categories. The first group includes issues that have spent a considerable time in a trading range building up a base pattern and have penetrated the base area on the upside to indicate an uptrend. Issues in this group are at various stages of their development. Some are quite close to their uptrend objectives while others still have a considerable distance to go. One common characteristic of this group is that they all are considerably above the lows of the past twenty months. Many of them are above the 1946 highs.

The second group consists of those issues that reached their low points in the early part of the twenty-month trading range but are still in the process of forming a potential base pattern. They are selling below their February 1947 or July 1947 highs.

The third group consists of issues that have made their lows only recently and have formed little or no base pattern. It would appear that considerably more time must be spent in a narrow trading range before these issues are ready to move.

It would seem that the best buying opportunities at the moment are in the second classification. These issues have already gone through the preliminary work of building up a base pattern. While the timing of the start of their upswing is uncertain, it would appear that over the intermediate term they could show considerable price enhancement. It must be remembered that the oil group spent a considerable period of time in backing and filling in a narrow trading range building up a base. It was during that time that the oils were recommended in this letter. In fact, the oils were by far the largest section of our recommended list. While some patience was required, the upswing in this group was substantial. The greater part of the advance has occurred recently.

Listed below are issues with similar potential base patterns to those of the oil group. In all cases, the potential upside indication is approximately double the present price. In all cases, the stocks are still in a narrow trading range and are not far away from the lows of the last twenty months. In most instances, they are issues of lesser known companies. Possibly that is one reason, with the still low public market enthusiasm, that they are behind the market. Purchases should be made, if possible, in the lower part of the trading range.

	Last Sale	1946-1948 Range		Last Sale	1946-1948 Range
Alpha Portland Cement	28 3/4	39 7/8-25	Holland Furnace	27 5/8	40 1/2-21 1/8
Byers (A.M.)	22	35 1/8-13 3/8	Inter.Tel & Tel	13 1/2	31 7/8-11 1/2
Canada Dry	13 1/2	19 3/4-12 7/8	Masonite	61 1/2	75-47 1/2
Carrier Corp	16	34-13 5/8	Mesta Machine	42	61 1/2-36
Celotex	27 3/4	38 1/8-22 1/2	Minn.St.P.& SS	12 1/2	26 3/8-91/8
Certain-teed	16 3/8	25 7/8-13 1/8	N.Y.Air Brake	39 1/2	69 1/2-36
Chic.Mil.St.P.Ser.A.pf	32 7/8	82 3/4-30	Pacific Mills	38 1/8	48-28 1/2
Chicago North West	18 1/8	43 1/2-14 3/4	Pitts.Coke & C	13 1/2	15 7/8-7 1/2
Consol.R.R.Cuba,pfd	23 1/4	47-16 1/2	Rheem Mfg	21 1/2	38-19
Copperweld Steel	15 5/8	23 1/2-12 1/2	Schenley Dist.	28 5/8	100-25 1/2
Eagle Picher Co	24 1/4	30 1/8-19	Spiegel,Inc.	12 3/8	39 7/8-7 7/8
Eastern Air Lines	19 3/8	33 3/8-16 1/8	Timken Detroit	21	27 3/8-16 1/8
Eastern Stainless Steel	17 3/4	61-16 3/4	Victor Chem	40 1/2	53-36 1/4
Fansteel Metal	14 3/8	42-10 5/8	Western Pacific	34 3/8	56 1/2-27
Hewitt Robbins Corp	25 5/8	39 1/2-21	Zenith Radio	24 3/8	42 5/8-19 1/8

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SHIELDS & COMPANY

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