

Technical Market Action

There is quite a bit of nervousness about and quite a bit of bearishness. The reason for the current uncertainty appears to be founded on the fact that the market has made little or no headway since the sharp run-up of mid-May when the industrial average confirmed the previous bull market signal of the rail average. Since May 15th, a matter of seventeen trading days, the industrial average has held in a narrow line formation with a high of 192.31 and a low of 187.46. I continue to believe that this area is a consolidation area rather than distribution. Individual issues and the averages have not built up "top" patterns. In fact, while the general market has been consolidating, numerous individual issues have continued to advance. Even in the event of a temporary downside penetration of the range, I doubt if any reaction would carry below the 187-185 support area. On the upside, I believe the next upward phase will carry above my original prediction of 195-200 for the first upward swing. This objective was based on the thought that the first advancing phase would carry to that level in a short period of time and that, technically, the market would need a broad corrective reaction. I now believe that the consolidation of the past seventeen days has cancelled the necessity of a correction at this time, particularly as the market did not become heavily overbought by a quick runup to 195-200. After some possible further irregularity, I expect a continuation of the rise to above the 200 level, with chances favoring about 205 before a real correction takes place.

It must not be forgotten that we are in a major uptrend with considerably higher prices indicated over the longer term. Obviously, such an advance will not be in a straight line. It never has been. The market will have periods of consolidation and correction. These periods should be welcomed as opportunities to add to holdings. At some point there will be a worthwhile correction of the advance. However, in my opinion, it will come from a higher level of prices than that obtaining at the moment.

Our recommended list of issues continues to show better than market action. A number, however, have had pretty good technical corrections from their recent highs. I am listing some of these below. I believe they can be purchased around present levels.

	<u>Recent High</u>	<u>Last Sale</u>
Atlas Corp	25 1/8	23
Baltimore & Ohio	16 1/2	14 1/4
Bigelow Sanford	37 1/4	33
Byers (A.M.)	25 3/4	23 1/8
Carrier Corp	19 3/4	17 1/4
Consol. Rwy's of Cuba, pfd	27 3/4	24 1/4
Deere & Co	46 1/8	41
Foster Wheeler	38 1/2	35
General Rwy Signal	29	26 3/8
Gimbel Bros	25	21 5/8
Gulf, Mobile & Ohio	19 1/4	17
Illinois Central	39 7/8	36
Kansas City Southern	43 1/2	38 1/2
Phelps Dodge	57 5/8	52 5/8
Rheem Mfg	24 1/2	22 5/8
Schenley Dist	35 5/8	31 1/2
United Merchants & Mfg's	21 1/2	19 1/4
U.S. Plywood	37 3/8	35 3/8
Wheeling Steel	50 7/8	48 1/4
Worthington Pump	25 5/8	22 1/2

EDMUND W. TABELL

SHIELDS & COMPANY

June 7, 1948