

Technical Market Action

In addition to the thirty issues specially recommended in our letter of February 11th, I have drawn your attention, at various times, to issues that appeared to have attractive technical patterns. It has been the policy of this letter to follow through on each of these issues until sale is advised. At the moment, there are over a hundred issues in the list including the thirty issues of February 11th. Ninety percent of these issues have continued to show excellent action but a few have been laggard. I am reviewing these disappointing issues below.

American Cyanamid (39 1/4). This issue has been a very disappointing market performer. After reaching a low of 33 1/4 in the year, the stock rallied to 41 1/4. Very little base has been built up. Would not advise new purchases and would liquidate when either 45 is reached or when the averages reach 200-205.

Chicago, Milwaukee St Paul & Pacific 5% pfd. (33 3/8). This issue was recently recommended at 32 3/4 and so far has done little marketwise. However, it has built up a tremendous potential base pattern and purchase and retention is advised. A penetration to 37 would have considerable bullish significance.

Chicago & North West Rwy. (19 1/4). While North West has moved up from its low of 14 3/4, it is a laggard in the rail group. Earnings have been disappointing but the road usually loses money in the early part of the year with the bulk of its earnings in the latter part. The stock has considerable leverage due to the relatively large amount of preferred ahead of it. It has a large potential base pattern. Purchase and retention is advised.

Consolidated Railways of Cuba, pfd (23 1/2). This is an extremely speculative situation but with dynamic possibilities. It was recently recommended at 23 1/4 and rallied to 27 3/4. It is now back to the originally recommended level. Advise purchase as a radical speculation.

Dome Mines (15 3/8). Stock has reacted on dividend news. Does not indicate much lower but it is liable to be dull for a long while. More attractive situations available.

Pepsi-Cola (16) Has been one of the worst performers on the board. However, top indicated 15 with outside chance of 11. Low was 15 5/8. A small base has been built up in the 16-19 area with the possibility of a rally to 22-24. Would liquidate on strength.

Schenley (31 1/8). Purchase was advised in 31-33 area. The stock appears to be building up a base in the broad 26-39 area. No indication of a near term move but pattern warrants retention.

Western Pacific (33). Purchase was recently advised at 34 3/8. Stock has done nothing in an up market. A large potential base pattern has been built up and the stock yields 9% at present prices. Purchase and retention is advised.

The oils were strong on Tuesday, but the rest of the market failed to move ahead. In fact, the general market sold off in the final hour while the oils were advancing.

At Monday's high of 194.49, the industrials practically reached the lower part of my first rally objective of 195-200. However, can see the possibility of 200-205 before any important correction. Would like to see the rails confirm the recent upswing by penetrating the May high of 63.07.

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EDMUND W. TABELL
SHIELDS & COMPANY