

Technical Market Action

The obvious comment to make in a market letter today is to say that the averages will continue to fluctuate in a relatively narrow range until some definite indication is given from Washington on tax legislation, price controls, etc.

I sometimes wonder if perhaps too much stress is laid upon the action of the averages. The Standard-Poor 90-Stock average today, at approximately 121, is just about where it was a year ago on November 18th, 1947. In terms of the averages a stock purchased a year ago should be worth approximately the same amount of money today as it was then. This would be small solace to the purchaser of Pepsi-Cola at the closing price of 26 3/8 on November 18th, 1947. Thursday's closing price was 9. His \$10,000 investment would today be worth approximately \$3,400. On the other hand, it would be rather hard to convince the man who, exactly a year ago, purchased Central Railroad of New Jersey at 8 that the market hasn't moved in a year. Thursday's closing was 32 and an investment of \$10,000 a year ago would be worth \$40,000 today. Obviously, these are extreme examples but there are many other situations that have shown the same diverse action on a small scale. Selection will continue to be of prime importance regardless of whether the market, in terms of averages, moves up or down or sidewise.

The point of this whole discussion is that, while the averages may or may not have hit their exact lows, there are quite a number of individual issues that appear to have reached buying ranges. Individual rail issues are an outstanding example of this type of action. Last week, I issued buying ranges on a number of individual rail issues. The list is worth repeating below -

Atchison,Topeke & S.F.	102	-	95
Baltimore & Ohio, pfd	16	-	18
Chicago Northwest	16	-	15
Denver Rio Grande	25	-	23
Gulf,Mobile & Ohio	13	-	12
Illinois Central	30	-	28
Kansas City Southern	37	-	35
Northern Pacific	17		
Reading Corp	21	-	19
St.Louis-San Francisco	10		
Seaboard Airline	20	-	19
Southern Pacific	50	-	48

It will be noted that most all of the issues mentioned above entered their buying ranges. Baltimore & Ohio pfd., which reached a low of 17 5/8 last week, has rallied sharply on the dividend news and closed at 22 3/4 on Thursday.

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SHIELDS & COMPANY

Closings

Dow-Jones Industrials	176.07
Dow-Jones Rails	54.39
Dow-Jones 65-Stock	64.54