

Technical Market Action

The market continues to act in accordance with normal technical procedure. This letter has been expecting strong resistance to the decline at slightly above the September highs of 180-179. The current correction reached a low of 179.93 on Thursday, October 30th and rallied back to 183.57 on Wednesday, November 5th. The dip of the past few days has been on sharply reduced volume and succeeded in reaching a low of only 180.61. Ability to penetrate last week's high of 183.57 would be **constructive** and indicate a nearby testing of the July highs. Monday's market was encouraging, particularly in individual issues. This action, coupled with the ability to hold above the October 30th low, strengthens our correction that the next move will be toward higher levels and a nearby penetration of the 1947 highs.

However, in this market one can be correct in diagnosing the moves of the averages but still realize only mediocre price appreciation unless the right stocks are selected. Seldom has such extreme selectivity been witnessed. As mentioned in a recent letter, the technical patterns of individual issues show extremely diverse patterns. A great many issues, probably 50%, have built up tremendous base patterns and have either broken out of these ranges on the upside or seem on the verge of so doing. Another group, possibly 40% of the market, requires some further backing and filling before the pattern is complete and the range penetrated on the upside. A third group, probably less than 10%, have formed little or no base patterns and still indicate lower levels.

We have tried, in our recommended list of issues, to select the stocks in the first group. The majority of recommendations have recently reached new high territory. A few have been disappointing but the list has been above average. Three issues, Phelps Dodge, Rayonier and Sharon Steel, reached or bettered the year's highs.

For purchase at this point, suggest the following from our recommended list.

Alleghany, pfd.	Doehler Jarvis
Atlas Corporation	Sharon Steel
Celotex	Youngstown Sheet & Tube
Colorado Fuel	Ohio Oil
General Cable	Wheeling Steel
Cities Service	U.S. & Foreign Securities
Chrysler	Worthington Pump

EDMUND W. TABELL

November 10, 1947

SHIELDS & COMPANY

Closings

Dow-Jones Industrials	182.21
Dow-Jones Rails	47.59
Dow-Jones 65-Stock	64.25

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