Wellington Shields & Co.
MEMBER NEW YORK STOCK EXCHANGE

EQUITIES PERSPECTIVE

August 21, 2020
DJIA: 27,739

This time is different… really. It's easy, even tempting, to compare this market to the bubble that was 1999 - 2000. Like then, the market is dominated by a few stocks, actually fewer than back then. Back then you learned that if you added dot.com to your company's name it boosted your multiple almost regardless of your actual business. Multiples now may be rich, but at least there are multiples – back then earnings were rare. Enthusiasm/speculation is similar, with Call buying at levels that are comparable. The market averages themselves show similar divergences. Back then the NAZ dominated as it has done so now. At present there is a disparity even within the S&P. The Index itself is at a new high but the equal weight version – counting each stock the same – remains some 8% below its high and even below its June peak. This kind of disparity has happened only four other times in 30 years, all in 1999 - 2000.

Most of the above makes this time seem the same as 1999 - 2000, rather than different. That's especially so when it comes to a dominant group of stocks. It's the overall background that makes this time different. Back then it was "new economy" and "old economy." The old economy stocks were not just lagging, they were going down. These days most stocks go up - the Advance Decline Index just made another new high. That wasn't the case back then when there was a protracted divergence. If you think of Staples as old economy, as measured by the ETF XLP (64) the stocks are up some 14% since the end of June and 35% from the March low. For all the worries about the economy, as measured by the ETF XLI (76), Industrials are up some 60%. Certainly Tech dominates, but it's not alone in going up. That makes this time very different.

This is not to say all have shared the wealth equally. It has been a far better recovery for the Mega-Caps of the Russell Top 50 then for the smaller companies of the Russell 2000. Winners and losers have had everything to do with the pandemic. Internet retailers are up big while hotels, resorts and cruise lines are down big. FANG stocks are now regarded as defensive plays – go figure. Meanwhile, The S&P may have gone nowhere for six months but contrarian plays like Gold and Treasuries have done very nicely. The 10-year real Treasury yield remains at almost exactly -1%, a level never reached before this year. Real yields have a relationship with Gold, which had more than a little hiccup last week. Lower real yields make Gold that much more attractive so the correction in yields helps explain the correction in Gold. The push above $2000 and news of the Buffett buy added to what might have proved too much of a good thing. All this seems likely to temper the uptrend for now, but above the 50 day - around 39 for GDX – there seems no real worry.

Everyday low prices is one thing, "priced in" is quite another. Walmart (130) had the look of the latter Tuesday morning, after what seemed a respectable report. Of course, it's not what have you done for me lately, it's what will you do for me now. There the news was a little less optimistic, though not exactly horrible. As it happens the stock had broken out just Monday after a month long consolidation. The top of that consolidation is around 132 which could prove support. The trading rule of thumb is sell half on any pullback below that. Looking at a long term chart, the investment rule of thumb is buy any pullback. Despite all the attention given Walmart and Amazon (3297), there are plenty of good charts in retail. There are the dollar guys, Dollar Tree (98) and Dollar General (197), and perhaps our favorite, Costco (340). It's another story for Department stores like Kohl's (19) and Nordstrom (14) where bad news continues to be discounted.

Glad that bear market is over – at least by the arbitrary definition of a 20% decline and retracement. Ironically, it wasn't the best week, technically speaking. After eight consecutive days of positive Advance Declines, five of the last six have been down. Tuesday saw the NASDAQ rise 100 points while more than 60% of the issues traded there fell. Much the same was true on Thursday. For the Nasdaq Composite it was the fourth time in 15 days it had a decent gain while breadth was negative – either in terms of issues or volume. Thursday saw the Composite at a new high, the third time in 15 days it has done so with negative breadth. Thursday also saw negative breadth on the NYSE though the averages were all higher. This may not be 2000 but it doesn't mean stocks can't correct. And if by correct you mean stall, most already have done that. Most days most stocks go up has been the mantra of this uptrend. If that is changing it won't be long before the trend does as well.

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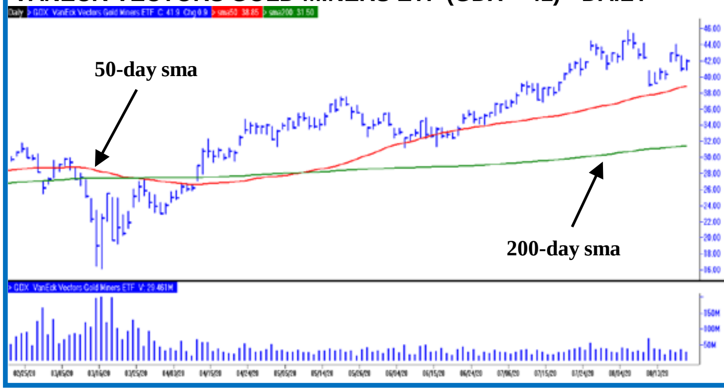
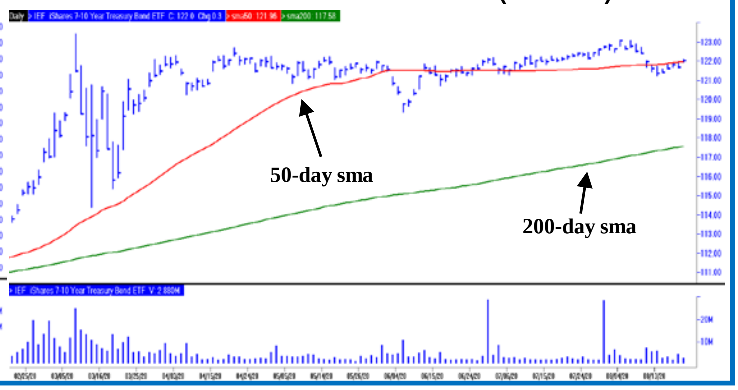
S&P 500 (SPX – 3386) – DAILY

NASDAQ 100 (NDX – 11477) – DAILY

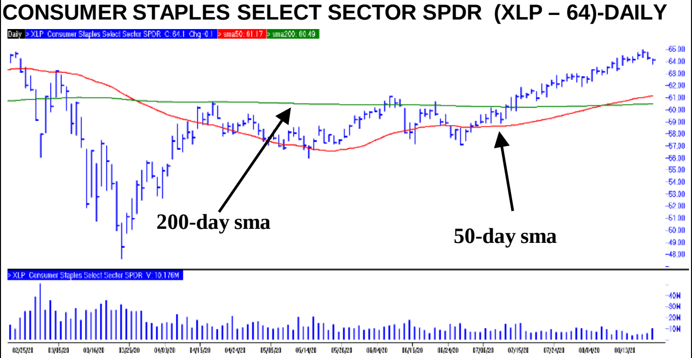
VANECK VECTORS GOLD MINERS ETF (GDX – 41) - DAILY



ISHARES 7-10 YEAR TREASURY BOND ETF (IEF – 122) - DAILY

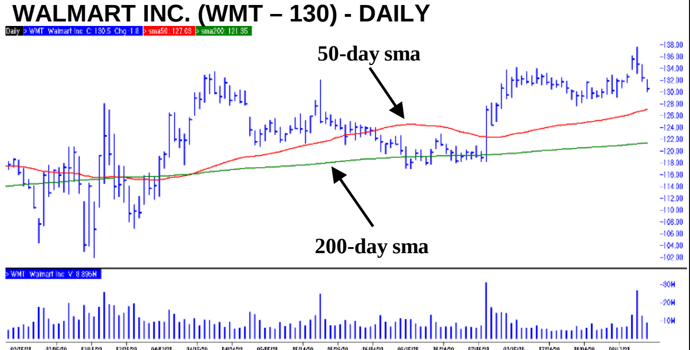


CONSUMER STAPLES SELECT SECTOR SPDR (XLP – 64)-DAILY

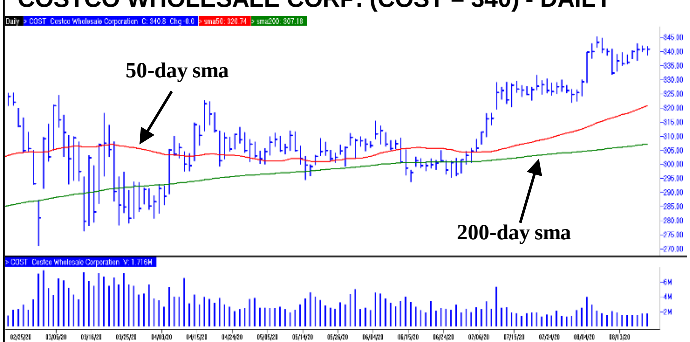


INDUSTRIAL SELECT SECTOR SPDR (XLI – 76) - DAILY

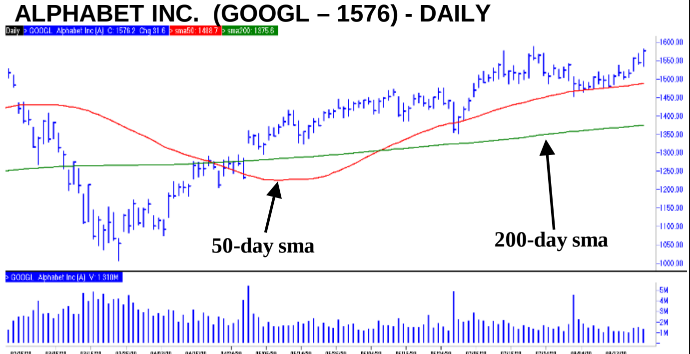
WALMART INC. (WMT – 130) - DAILY



COSTCO WHOLESALE CORP. (COST – 340) - DAILY



ALPHABET INC. (GOOGL – 1576) - DAILY



MICROSOFT CORP. (MSFT – 214) - DAILY