Wellington Shields & Co.
MEMBER NEW YORK STOCK EXCHANGE

EQUITIES PERSPECTIVE

October 23, 2020
DJIA: 28,364

We Zoom … we used to Xerox. Different products, we know, but same concept – things change. There are few durable technologies and still fewer that don't beget their own competition. Change, of course, takes time and it seems a bit premature to take action here. Indeed, it would be the inverse of catching that falling knife. In the case of Xerox (20), new and sometimes better copiers came along, new ways to Xerox, so to speak. In the case of video conferencing, already there are other ways to Zoom, so to speak. There's a product out there called Teams, backed by a little company called Microsoft (215). Teams may not be reason to buy Microsoft, but it may be reason to be careful of Zoom (520). The numbers for Zoom, we are told, are over the top both in terms of growth and valuation. The latter, of course, doesn't matter until it matters, but we do miss our Razr.

While Zoom seems the poster child for the so-called COVID or stay at home stocks, there are many. Time will tell, to coin a phrase, but most agree life has changed, the need for these companies will continue even when re-open becomes a reality. Sure we will fly again, but now we've learned there is an option. Even the FANGs have come to be thought of as COVID beneficiaries, if only because their businesses have not been impacted. This seems a bit of a stretch. These obviously are successful companies, but their success in the market seems a function of momentum chase. This could change and as a group they remain below their September 2 peak. A stock like Netflix (485) has gone nowhere since its little blowoff move in mid-July. It has been right to buy disappointments here, and there seems another opportunity? In a bit of irony, Google (1615) rallied on the anti-trust announcement, and it was good numbers by Snap (39) that dragged Facebook (278) higher on Wednesday. Go figure.

In recent weeks, there have been two points of note in indicatorland. Both involve the much overused term overbought, where there are as many measures as there are technical analysts, plus the media where measures are not required. By our measures an overbought extreme was reached on 9/2, and a very similar reading again on Monday 10/12. The former ushered in a near 10% correction into late September, the more recent a relatively modest consolidation. The bad news is Monday's was a less than modest down day – 2.72 to 1 in terms of the Advance-Declines - and any weakness on Monday is itself unusual. The good news, and it is good news, the market has unwound the upside extreme, the overbought condition, without any follow-through to Monday's weakness. The problem now is that back to a neutral position, the market seems just to be riding the stimulus roller coaster.

The S&P stood at 3307 on August 3, and as of Thursday was some 4.4% above that level. The August date marks three months before the election, and since 1928 the market's performance during this period has an 87% accuracy rate when it comes to predicting the election's outcome – an up market means an incumbent win, and vice versa. Doubt that's of much help, but interesting nonetheless. Another date of some interest is September 30, when the S&P closed at 3363. The S&P lost 3.9% in September, marking its first down month since its loss of 12.6% in March. In turn, an up market in April led to a 15.6% gain through September. The trading system here is almost too simple to work, but it does. Go long the market when the market rose the previous month.

Gold remains in an overall uptrend and up some 20% from the March low. Since its August peak, however, it has been consolidating and as yet doesn't quite look ready for prime time – a GDX move above 41 would suggest otherwise. Meanwhile, the ratio of Gold to Copper has dropped to a six month low, suggesting traders are seeking economic growth rather than the safety of Gold. Another positive economic sign could be the recent action in Parker Hannifin (225), not exactly a household name, but one which some see as another barometer of the economy. To get to that growth, of course, we need to get through the election. Two weeks ago the market saw stimulus in the color blue, but since then seems generally to have timed out. The possibility of a contested election, history suggests, is ample reason to do so. Since the surge and overbought reading of 10/12, it seems worth noting the NASDAQ 100 has seen only one up day, and modest at that. Anticipatory profit taking anyone?

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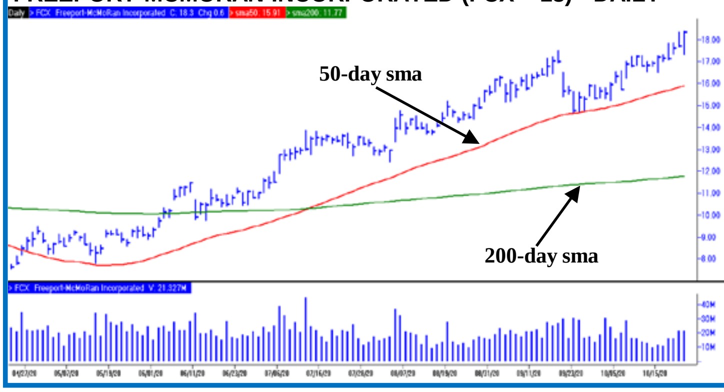
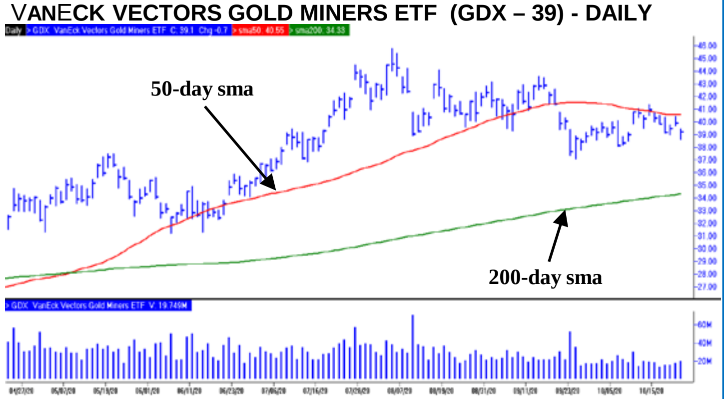
S&P 500 (SPX – 3453) – DAILY

NASDAQ 100 (NDX – 11662) – DAILY

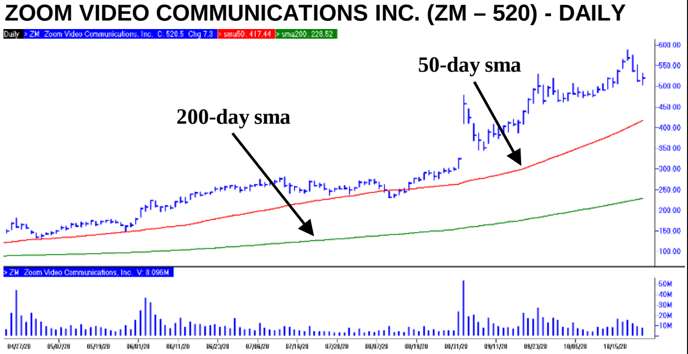
FREEPORT-MCMORAN INCORPORATED (FCX – 18) - DAILY



VANECK VECTORS GOLD MINERS ETF (GDX – 39) - DAILY

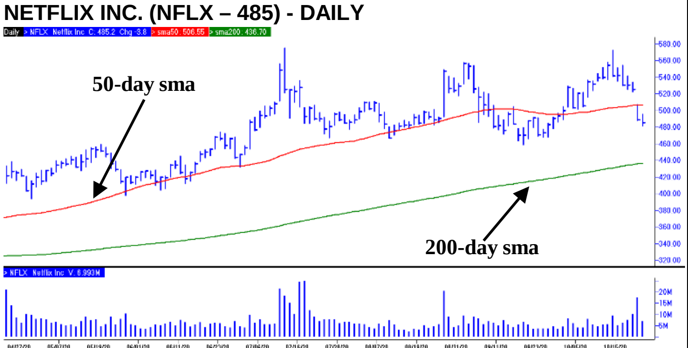


ZOOM VIDEO COMMUNICATIONS INC. (ZM – 520) - DAILY

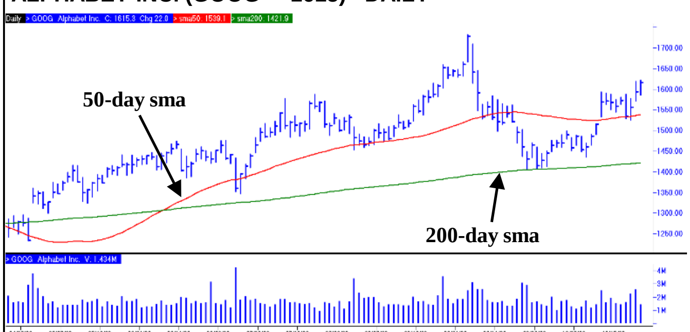


SNAP INC. (SNAP – 39) - DAILY

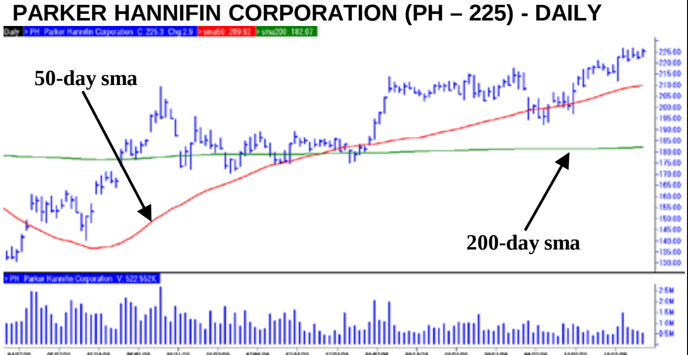
NETFLIX INC. (NFLX – 485) - DAILY



ALPHABET INC. (GOOG – 1615) - DAILY



PARKER HANNIFIN CORPORATION (PH – 225) - DAILY



MICROSECTORS FANG + INDEX 2X LEVERAGED ETNS (FNGO – 149) - DAILY