Wellington Shields

EQUITIES PERSPECTIVE

March 26, 2021
DJIA: 32,620

Spring break … or compound fracture. Little question there has been a break in the uptrend, but not one compounded by a poor overall technical backdrop. The Dow and S&P are only a few days from their highs, far more importantly, the Advance-Decline index is only a few days from its high. This is not how important weakness begins. Different this time, however, is the divergence between markets, the S&P, Dow and the NASDAQ 100 – the divergence between stay-at-home and re-open. That the Dow was down three points and the NAZ 200 Wednesday may say it all. The problem there, and it was true Wednesday, the bad begin to drag down the good – the idea you had better sell before someone else does. Tech may be washed out, or close, and that's needed. Meanwhile, we're still all in on re-open/reflation.

The dramatic weakness in bonds against the dramatic strength in equities was expected to cause some rebalancing at the end of the quarter. While we don't typically place much emphasis on such things, the disparity this time is such that it could well be responsible for some of the equity weakness. If it is, we've noticed it hasn't had an effect on McDonald's (224), let alone a dramatic one. Rather than stay at home, McDonald's is stay in your car, a new category? The point is it's still about the right stocks, and a number of defensive names have been improving – the PG's (134) and Colgate's (78). Rather than knee-jerk reaction to the recent weakness, the charts really aren't bad, for example, see the SPDR Consumer Staples ETF (XLP - 67). We are as tired of it as anyone, but welcome to a little more rotation. Still, it's preferable to all in on the downside.

As re-opening has come to dominate as a theme, Growth and Tech has suffered. That's not true of all Tech, however, as might be seen in the musketeers of yore – Cisco (51), Intel (62) and Oracle (69). It's enough to make you miss 2000. These all have remarkably good charts, especially in light of those Tech charts generally. Just what's behind the renaissance is hard to say, at Intel it would seem the new management and at Oracle we suppose it's just that Larry Ellison never goes away. That they should be outperforming the rest of Tech also seems about the theme we have stressed for a while now – how much of any of these do you own? Much like the re-open versus stay at home stocks, these retro – Techs are under owned.

Cathie, as we all have come to know her, has her themes. Certainly one is genomics, biotech to most of us, as per her ARK Genomics Revolution ETF (ARKG - 85). It's hard not to like biotech in terms of its life enhancing potential and as an area immune, so to speak, to the vagaries of stay-at-home/re-open. That said, over the years we have seen the stocks cycle, and for now the cycle seems down. Her ETF, the NAZ Biotech ETF and the SPDR Bio ETF look surprisingly the same, even more surprising given the XBI is equal weight. Great stock picker that she may be, this would seem to suggest the trend is a bit all encompassing. As we said, we've seen these cycles, and would harken to add the long-term trend here is excellent. To flip the medium term trend, however, will take a move above the respective 50 day moving averages, something like 100 for ARKG.

The 12 months just ended were the best in the history of the S&P. Since the index hit bottom after the onset of the Covid-19 pandemic, it has gained more than 70%. Jim Reid of Deutsche Bank puts the return in perspective, having back calculated the index to 1929. Other than the rebounds following the great crashes there has never been a 12 month period like this. Strategists at LPL Financial cited the S&P's performance other years after falling more than 30%. It was the first year ever the S&P was down 30+ percent and ended in the green. They identified five other instances since World War II and found that the S&P rose every time in the second year. Gains for that year averaged 17%, according to Bloomberg. That said, no one said straight up.

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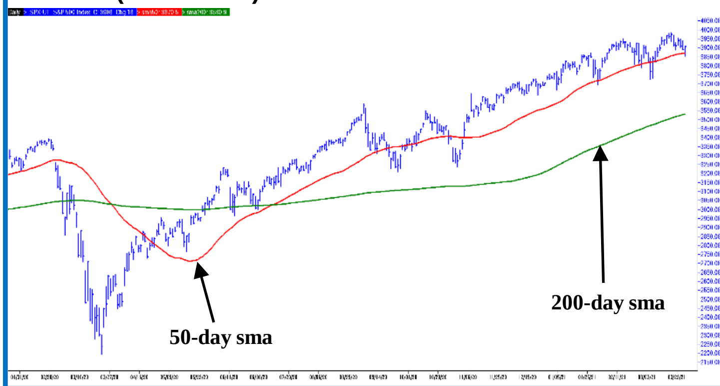
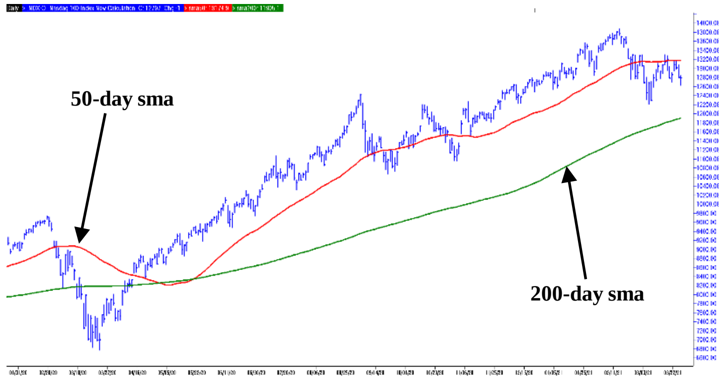
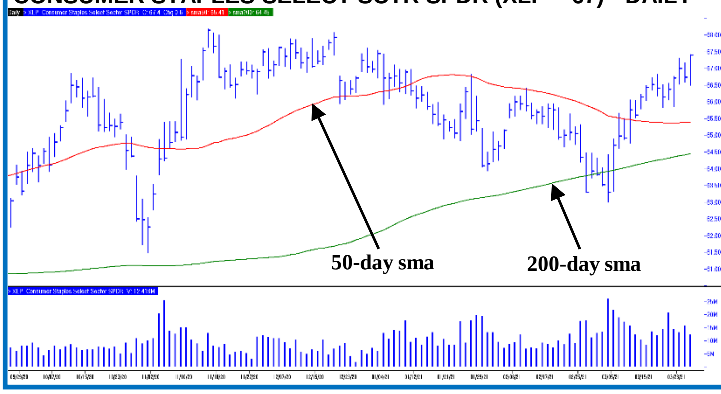
S&P 500 (SPX – 3908) – DAILY



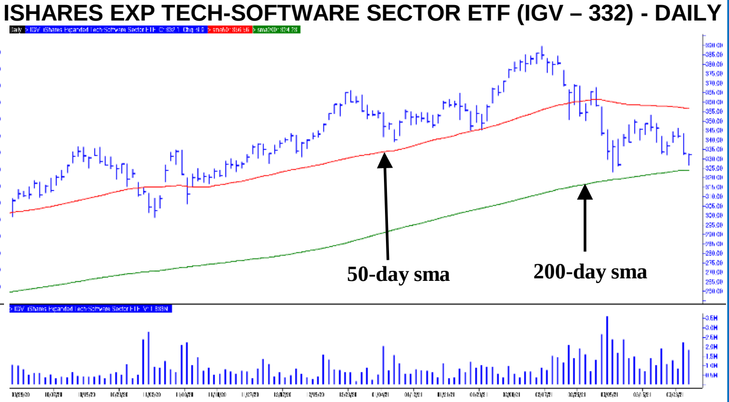
NASDAQ 100 (NDX – 12797) – DAILY



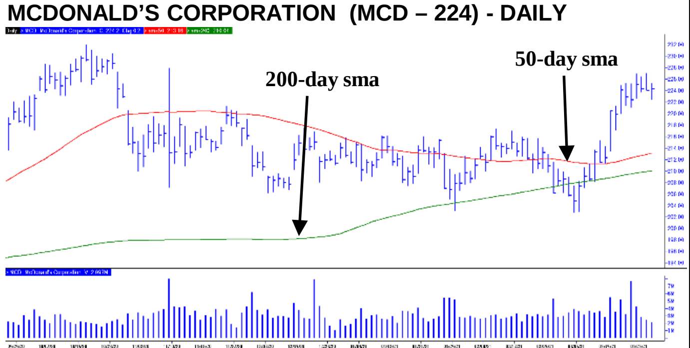
CONSUMER STAPLES SELECT SCTR SPDR (XLP – 67) - DAILY



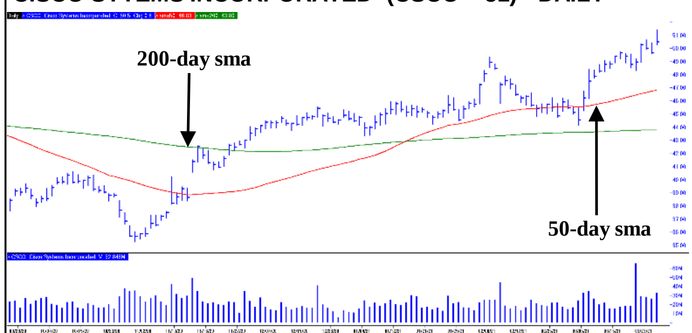
ISHARES EXP TECH-SOFTWARE SECTOR ETF (IGV – 332) - DAILY



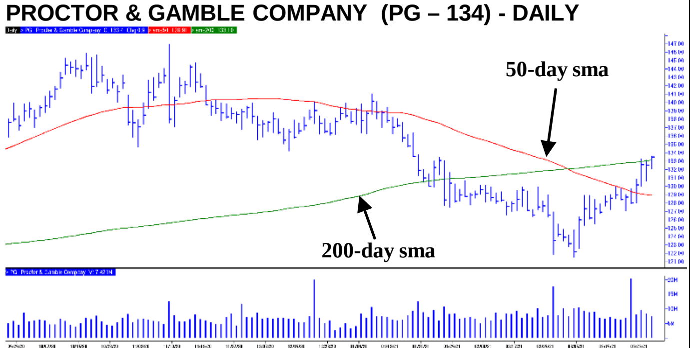
MCDONALD'S CORPORATION (MCD – 224) - DAILY



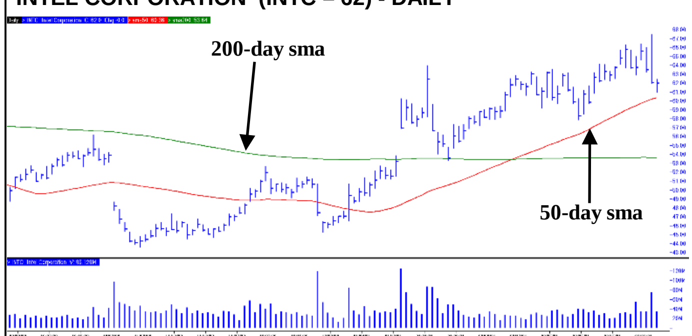
CISCO SYTEMS INCORPORATED (CSCO – 51) - DAILY



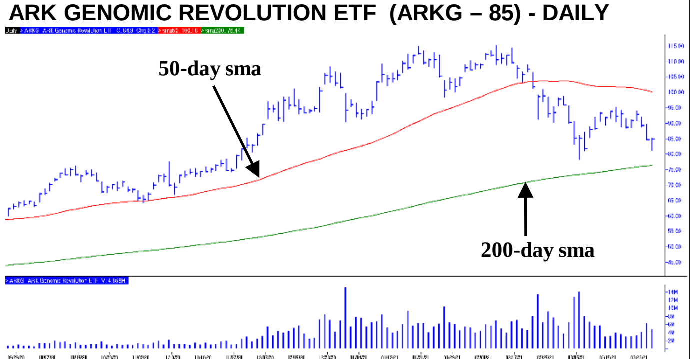
PROCTOR & GAMBLE COMPANY (PG – 134) - DAILY



INTEL CORPORATION (INTC – 62) - DAILY



ARK GENOMIC REVOLUTION ETF (ARKG – 85) - DAILY



ORACLE CORPORATION (ORCL – 69) - DAILY