Wellington Shields

EQUITIES PERSPECTIVE

March 5, 2021
DJIA: 30,924

Woodstock is a fond memory … will the same be true of Wood's stocks? Cathie Wood has garnered quite a bit of fame, and deservedly so. Those ARK Funds which she founded were up a gazillion percent last year, but who's counting. Nonetheless, we always find it a bit risky when everyone knows your name, so to speak. It certainly proved so for Gerry Tsai when, after his success at Fidelity, he founded the Manhattan Fund in 1965. By 1969 the funds collapsed, losing 90% of their value. While his was an aggressive style of growth stock investing, that of Bill Miller's was a value style of investing. His fame resided in his record of beating the S&P for 15 years in a row. When the market turned against value in 2006, a run of underperformance left him lagging the S&P by 50%. Changing fortunes in both cases were not a matter of intelligence, it was a matter of changing investment styles. For now it's about reopen/reflate, if that can be called a style. Cathie Wood isn't exactly covered in that look.

They say rising rates don't matter if they're rising because the economy is improving. For Tech investors, that turned out to be a big fat lie, as last Thursday and most days since then have made clear. You pay-up for Tech when Tech is the only growth in town, but in an improving economy there's plenty of growth to be found – commodities, industrials and so on. And, of course, most if not all Tech has had a good run. Unless it's their mandate, Tech investors likely are waking up to the idea they're in the wrong stocks. It's always a bit of a mystery as to what triggers market moves. After all, the bond hit last Thursday, 2/25, was an attention getter, but the real break began back on 2/12. In any event, as often happens, it's not whether you're in the market it's where you're in. The Tech bashing has left only around 10% of the NAZ stocks above their 10 day average, obviously pretty extreme and likely time for some reprieve.

The 50 day moving average isn't exactly the riddle of existence, that would be those other numbers, the 1+1 = 2, 2 +1 = 3, and so on – those numbers. While many Italians were about the serious work of discovering pizza, a guy named Fibonacci really was about discovering the riddle of existence, at least as it applies to nature's code. Each number of his sequence is the sum of the two numbers that precede it, and it is said to govern the dimensions of everything from the great pyramid of Giza to the iconic seashell. The ratio of the numbers in the sequence, as the sequence goes to infinity, approaches the golden ratio, the most pleasing angle in nature. Naturally technical analysis has glommed onto this to explain movements in the stock market, the so-called "Fib Retracements" of roughly one-third and two-thirds. Far less esoteric is the everyman's 50 day moving average, yet it has managed to hold in check the recent declines in both the Dow and the S&P. Again under threat, it would be best to see it continue to hold.

It's not surprising that consumer staples are lagging. First it was a market all about tech, and now it seems all about the reflation trades of commodities and industrials. There hasn't been much need for, or room for staples. And to look at a stock like Clorox (178), you can believe every closet runneth over. Still, lagging is one thing, of late they've turned outright weak. Typically the stocks offer a bit of a counter market trade – down in good markets but up in weakness. Last week that changed, with notable breaks in stocks like Procter & Gamble (122) and the SPDR Staples ETF (XLP – 63). The explanation, we suppose, is there is still money out there but it's not infinite. The money going into the reflation trades has come from Tech, but likely from these dormant staple stocks as well. By the look of the charts, this doesn't seem about to change. Despite their numbers, the good news is the poor action here hasn't had a dramatic effect on market breadth.

It's a good time to be a technical analyst rather than one of those funny mental types. Looking at price-to- sales, the S&P is the most expensive ever and information technology is almost as expensive as 2000. How in good conscience can those guys be bullish? We technicians can be bullish because we understand it's liquidity that drives markets, and there is still plenty around. We always refer to the Advance-Decline Index as a guide to whether the average stock is keeping pace with the stock averages, an important measure of the market's health. These simple numbers, stocks up and stocks down, tell you something about liquidity as well. There were more than 3000 NYSE stocks up on Monday – that takes money. What seems important now is where the money is going, and that would be to the reflation/re-opening stocks. Tech isn't going away, but it likely will underperform. The stay-at- home stocks, like Zoom Video (343) and Peloton (105), they could go away.

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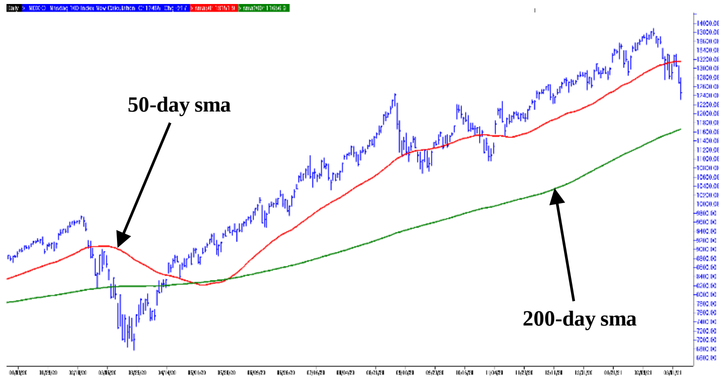
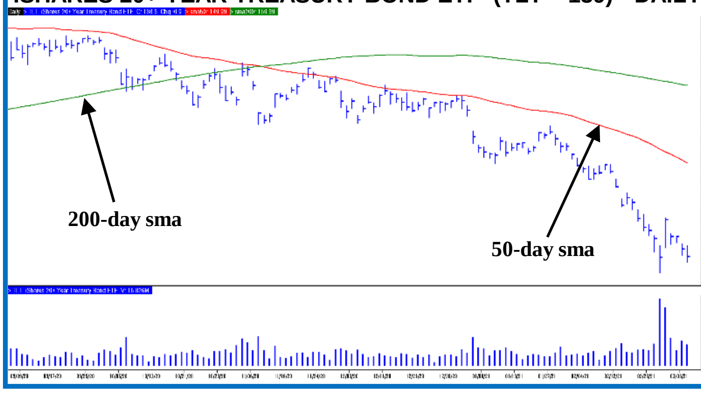
S&P 500 (SPX – 3766) – DAILY

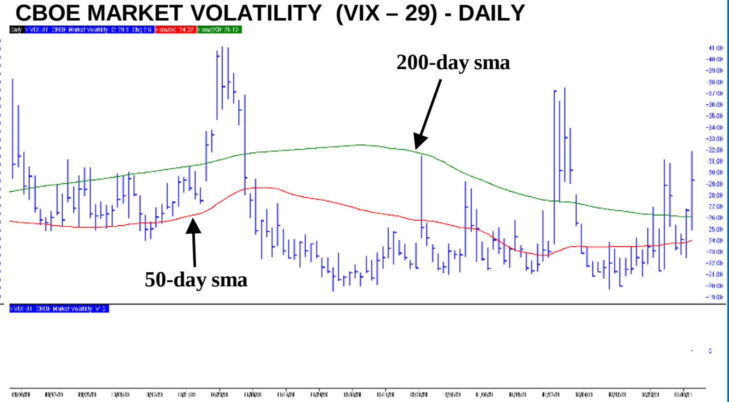
NASDAQ 100 (NDX – 12464) – DAILY



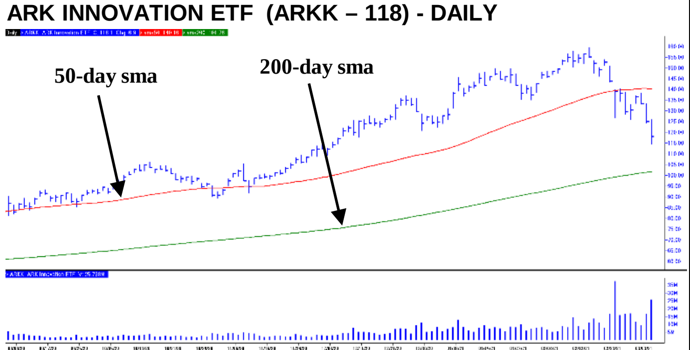
ISHARES 20+ YEAR TREASURY BOND ETF (TLT – 139) - DAILY



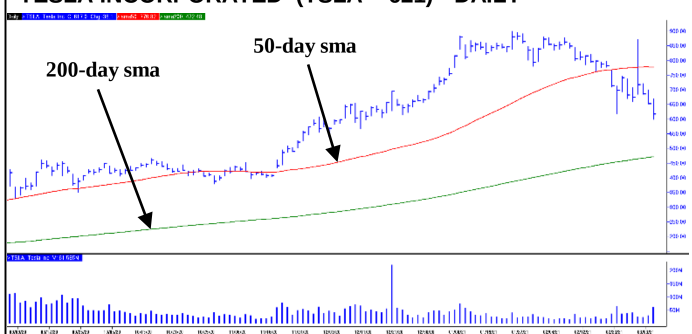
CBOE MARKET VOLATILITY (VIX – 29) - DAILY



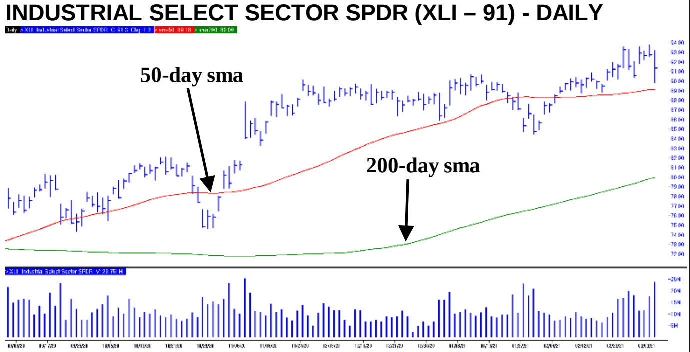
ARK INNOVATION ETF (ARKK – 118) - DAILY



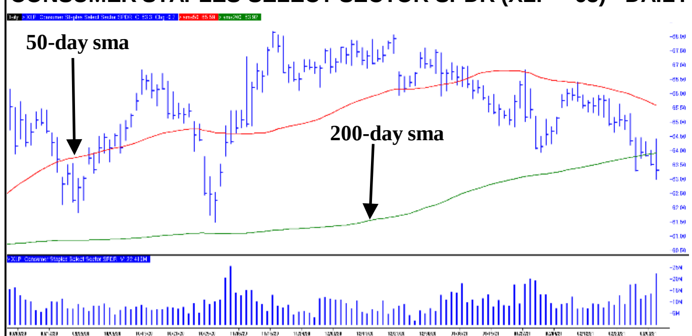
TESLA INCORPORATED (TSLA – 621) - DAILY



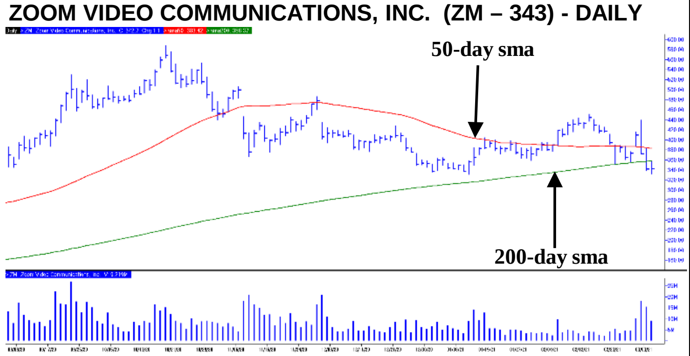
INDUSTRIAL SELECT SECTOR SPDR (XLI – 91) - DAILY



CONSUMER STAPLES SELECT SECTOR SPDR (XLP – 63) - DAILY



ZOOM VIDEO COMMUNICATIONS, INC. (ZM – 343) - DAILY



PELOTON INTERACTIVE, INC. (PTON – 105) - DAILY