Wellington Shields

EQUITIES PERSPECTIVE

April 23, 2021
DJIA: 33,815

Give us a lot of money… and we'll buy you something nice. We'll buy you something nice but we can't tell you what it is. We can't tell you what it is because we don't know what it is, yet. Doesn't that sound like a good deal? Deals like this are called SPACs. And they laugh at the dot.coms. There may be a difference between the SPACs and the dot.coms but they are similar in an important way – speculation. Speculation is the dark side of this market. The level of speculation now is what you would expect to see at the terminal stage of a multi-year bull market. The saving grace is the market's other side, the momentum side. Measures like Advance-Declines and the percent of stocks above their 200 day average are those of a new bull market. Since momentum typically trumps sentiment, and has done so to date, we don't see any big risk to the uptrend. More choppiness and rotation, however, does seem likely.

In yet another seeming leadership change, last week's best performing group was the utilities. Or, shall we say, the utilities? Add to that the staples, see the XLP ETF (70), and big Pharma, see the XLV ETF (123). Why did the market suddenly go so defensive? What does the market know the rest of us don't know? We can't exactly point to any numbers here – utilities outperform and the market goes down, or anything like that. When the market turns defensive it makes us want to be cautious. It also wasn't the best of signs last week when most of the banks reported generally better than expected numbers, and yet went nowhere or down. If it's the market that makes the news, when good news isn't good, that isn't good. Economically speaking, we all know the second half is supposed to produce blow out numbers. In the stock market, what we all know isn't worth knowing – it's discounted.

Suppose the economy isn't as good as it looks? That makes for interesting contrary thinking, but, the price action doesn't really back that up. As measured by the various ETF's, the Metals and Mining ETF, XME (40), Materials, XLB (82) and Infrastructure, PAVE (26) still act well. An exception to the strength in commodities has been oil where we are still hopeful. A little strength here would go a long way. Meanwhile, gold finally has come to life, ironically as Bitcoin has come to struggle. Everyone loves Coinbase (295), including Cathie, but the float here we understand is some 56 million shares while there are some 149 million shares outstanding. We doubt staples are a new leadership just when for most their costs have begun to rise. Still, you can't argue with the charts here, or those of the utilities.

Last time we spoke of Tesla (720) as agnostic when it comes to most background noise – vaccines, war and peace, that sort of thing. This week it appeared agnostic even when it comes to itself – the fatal crash and the China auto show protest. Then there's that overriding sort of negative. Superior though it may be, it's no longer the only EV game in town. Ah, but can they send a rocket to space and land it on a dime in the Pacific Ocean? Success always creates competition, though until this quarter it never seemed to bother Netflix (509). If it's not the competition, which is somewhat formidable, maybe it's the going away of staying at home. We see Zoom Video (328) as the poster child here, and it has basically been cut in half from his peak last October. Netflix isn't nearly as bad, as Wednesday's weakness only knocked the stock to the lower end of the nine month trading range. While you don't want to see it slip below 460 – 480, the lower end of the range, we would rather not sit through the slog back to the upper end either. We'd rather Tesla there.

Following the Monday and Tuesday weakness, the market came storming back on Wednesday. The storming part was in terms of those Advance-Declines – 4-to-1 up and close to 2600 net advancing issues. It's not weakness that is the worry, it's the weak rallies that follow, and that was anything but a weak rally. Wednesday, however, did have a surprisingly negative characteristic. For the S&P 500, 85% of the components ended above their 50 day average, while for the NASDAQ and Russell there were less than 50%, a historically large divergence. Things may be changing, but we're far from anything serious. Pretty much most days most stocks go up, and that means no big problems. Thursday afternoon happens when too many are on the complacent side of the boat, and there's a negative surprise. There was always going to be a tradeoff between stimulus/infrastructure and taxes. The market knew that and the market quickly will figure out it knew that, and can live with it. Thursday just seems more of the recent choppiness.

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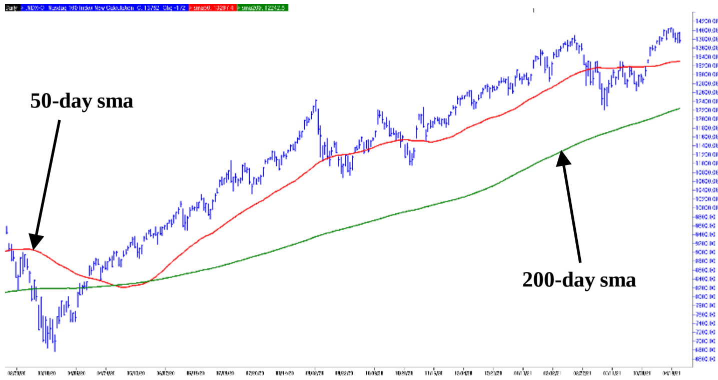
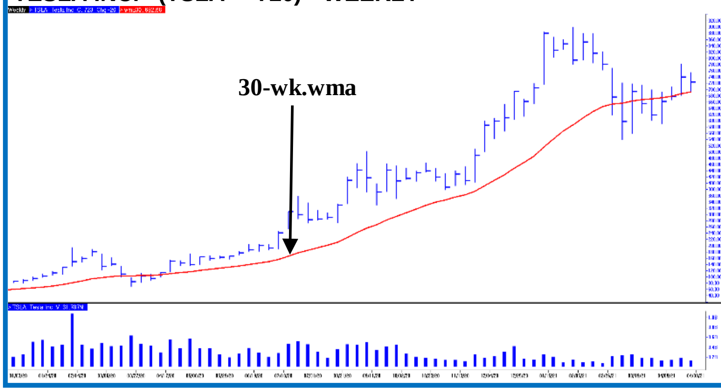
S&P 500 (SPX – 4135) – DAILY

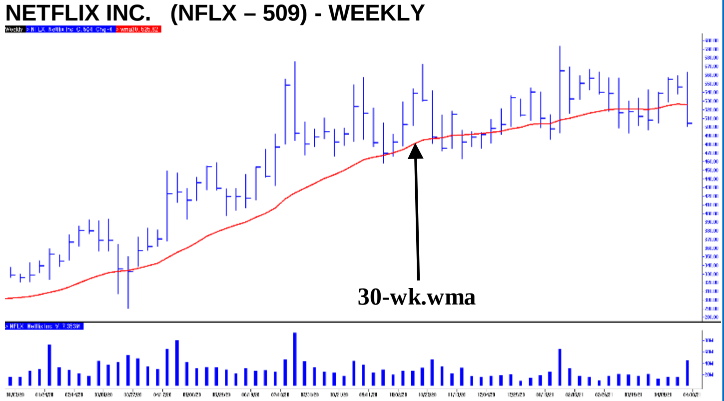
NASDAQ 100 (NDX – 13762) – DAILY



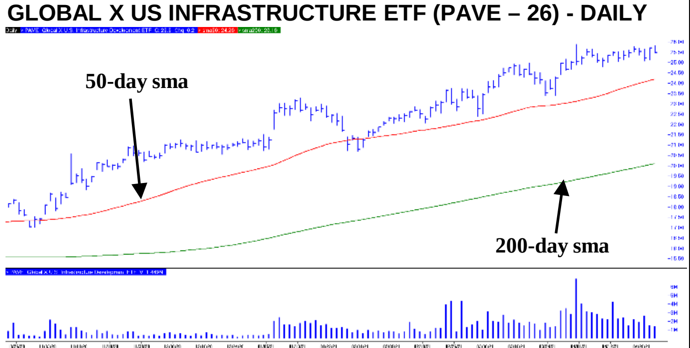
TESLA INC. (TSLA – 720) - WEEKLY



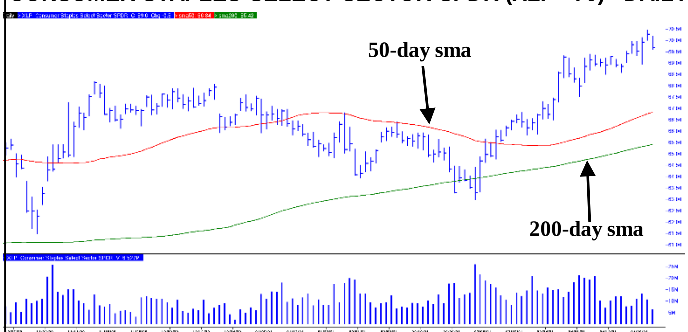
NETFLIX INC. (NFLX – 509) - WEEKLY



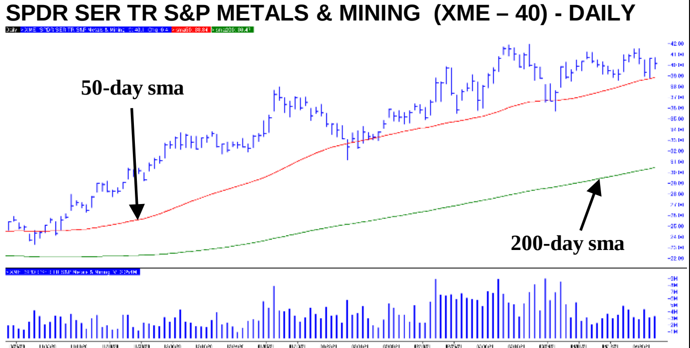
GLOBAL X US INFRASTRUCTURE ETF (PAVE – 26) - DAILY



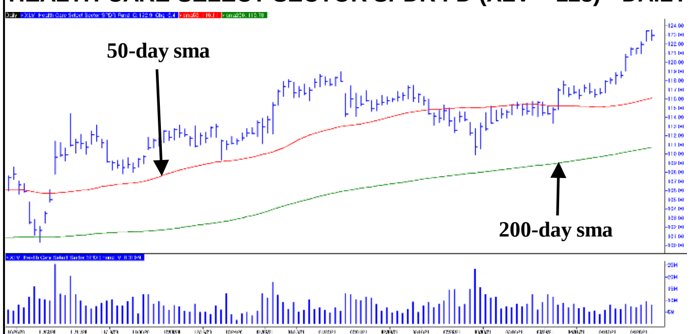
CONSUMER STAPLES SELECT SECTOR SPDR (XLP– 70) - DAILY



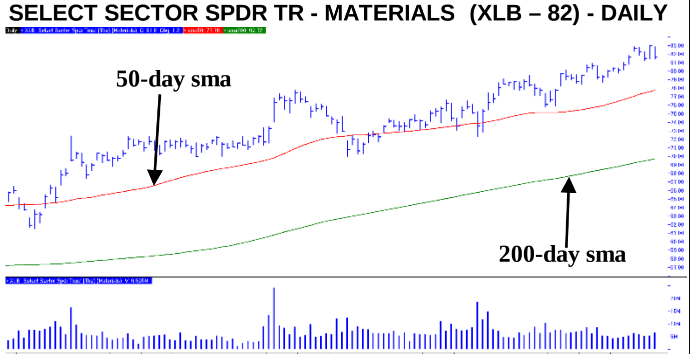
SPDR SER TR S&P METALS & MINING (XME – 40) - DAILY



HEALTH CARE SELECT SECTOR SPDR FD (XLV – 123) - DAILY



SELECT SECTOR SPDR TR - MATERIALS (XLB – 82) - DAILY



SELECT SECTOR SPDR TR - UTILITIES (XLU – 67) - DAILY