

EQUITIES PERSPECTIVE

June 25, 2021

DJIA: 34,196

It's not the bad down days ... it's the bad up days. For most of this year there have been few bad days either up or down. That changed a bit last week when there was what you might call real selling, both Thursday and, especially, Friday. The three day Dow loss of 1000 points is not the issue, it's the one sided A/Ds, especially Friday's 3-to-1 down day. Weakness happens, especially when amidst complacency the Fed comes along with a little surprise. Markets get over it, but it's about how they get over it. A big Dow comeback without commensurate A/Ds, doesn't do the trick. Indeed, that's what we mean when we talk about a bad up day. As it happens, so far so good. Monday saw a near 600 point Dow up day with A/Ds near 3-to-1 – far from a bad up day. The A/Ds don't stand alone. Analytically they need to be related to the market. It's important that those numbers keep pace with the market averages.

It doesn't seem the Fed has killed the market, but did they kill the inflation/reflation trade? While these shares did pull back, and in some cases more than we expected, we doubt they're done. Most of that area has been stalled since early May, pretty much coinciding in the stall in the S&P itself. The Fed seems an excuse for the market to do another little rotation, something that he has been doing all year. In the process, Growth/Tech has reemerged, something that had begun just as the inflation trade was stalling. We will take rotation over everything going down any time. We don't see this as something unhealthy, especially had you hedged those oil positions with a little Microsoft (266). To Look at XOP (98), the SPDR Oil and Gas Exploration ETF, oil seems to have come through this little correction in good shape, which should prove a positive going forward.

Speaking of rotation, Cathie is back. Well, not completely back, but those ARK funds at least are back above their respective 50 day averages. The recovery hasn't just been on the back of Tesla (680), though it, too, is above the 50 day. If anything it has been on the back of Roku (424), which figures prominently in many of her ETFs. That these are performing so much better seems testimony to the idea there's little that's still weak, a positive for the market overall. This is even more dramatically clear looking at solar stocks. As measured by TAN (85), the Invesco ETF, after a big run those stocks peaked back in January and fell more than 40%. Among the better component charts there are SolarEdge (267) and Sunrun (53). Both of which have broken their own steep downtrends. Those other Tech stocks, Biotechs, also seem much improved.

Sentiment is always difficult to measure, and even more difficult to act on. Investors are right in between, but wrong at the extremes. And how do you know an extreme, especially when you're part of it? None of us are immune to good old greed and fear. Theoretically, there are some measures thought to be objective, like the Put/Call ratios and investment surveys. When it comes to market peaks, however, these can be over the top and stay that way until you just stop caring. Worse still, these measures often improve before the market peaks. When it comes to speculative markets like this one, the speculation often peaks before the market averages. That was the case in 2000 when the NAZ and dot.coms peaked before the S&P really started down, and it was true in 2007 when a little oil bubble peaked before the overall market. This time around we have seen a peak in the SPACs and likely Bitcoin. The MEME stocks should be next.

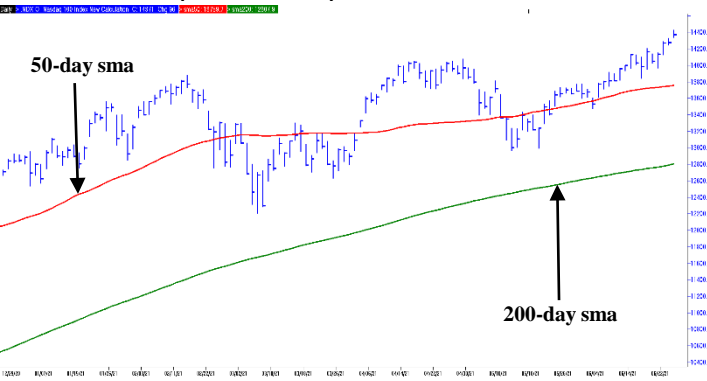
So the Fed may raise rates as soon as late next year. Granted we sometimes tend to be short term in our view of markets, but exactly how do “soon” and “late next year” go together? This week the market seemed to agree. If anything, after Powell's diatribe, the market may have become reassured they are not off the reservation. A so-called taper is another matter, but taper does not mean stop. More importantly, there seems no tantrum. It also seems that if your particular stocks aren't going up, just wait a week and they probably will – the rotation is such. The rotation they will tell you is the market trying to work out the implication of the Fed's seeming shift in emphasis. Naturally, we have to listen to the Fed, but even recently it has paid to concentrate on the numbers. This week again, most days most stocks went up, not how markets get into important trouble.

Frank D. Gretz

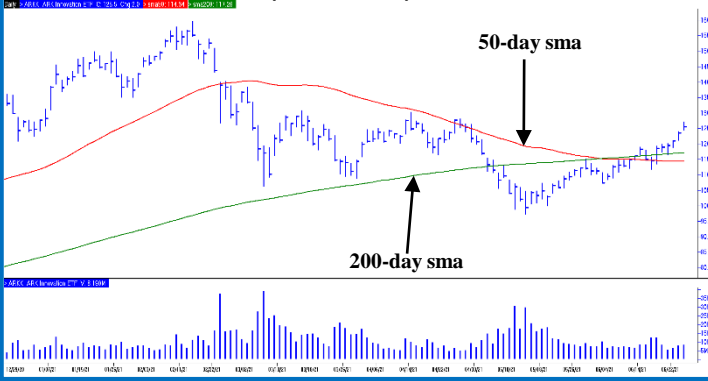
S&P 500 (SPX - 4266) - DAILY



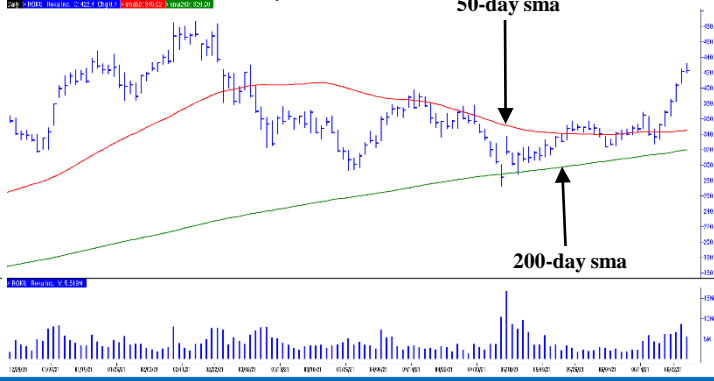
NASDAQ 100 (NDX - 14366) - DAILY



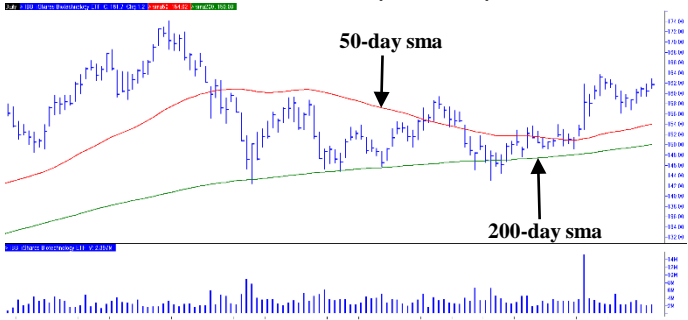
ARK INNOVATION ETF (ARKK - 125) - DAILY



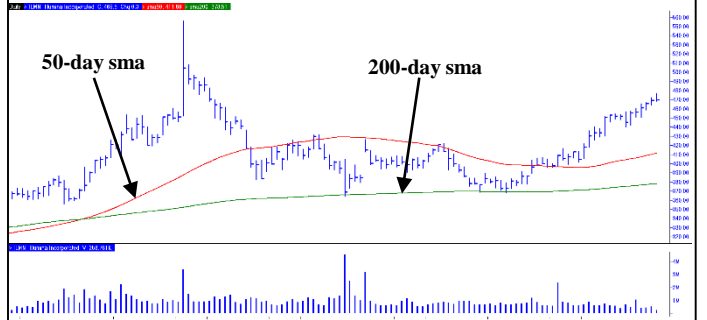
ROKU INC. (ROKU - 424) - DAILY



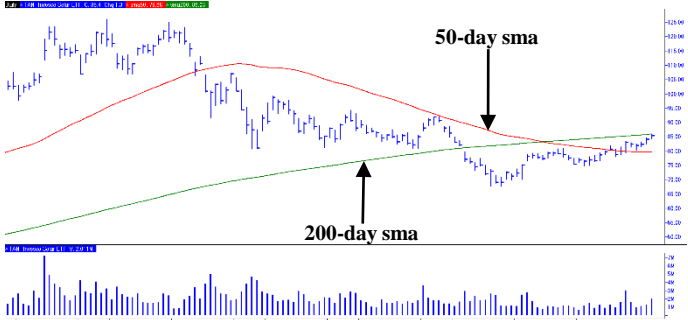
ISHARES BIOTECHNOLOGY ETF (IBB - 162) - DAILY



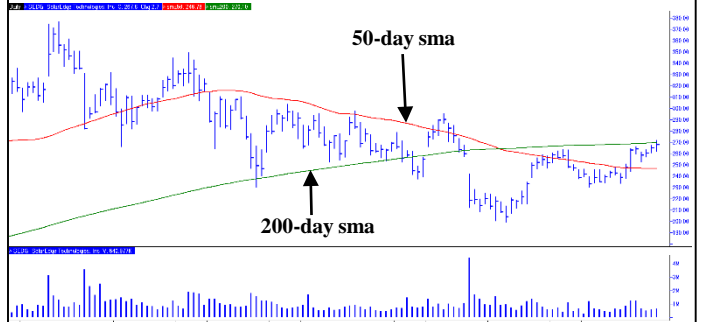
ILLUMINA INCORPORATED (ILMN - 469) - DAILY



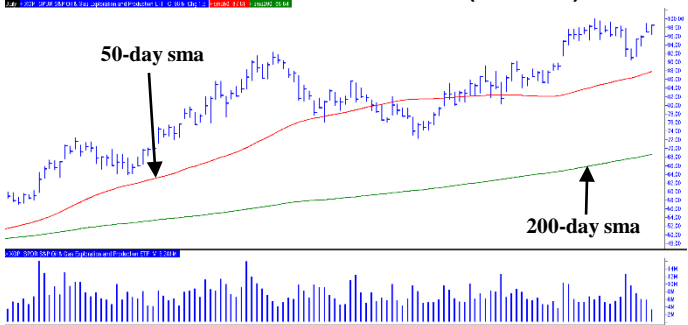
INVESCO SOLAR ETF (TAN - 85) - DAILY



SOLAR EDGE TECHNOLOGIES INC. (SEDG - 267) - DAILY



SPDR S&P OIL & GAS EXPL & PROD ETF (XOP - 98) - DAILY



CALLON PETROLEUM COMPANY (CPE - 58) - DAILY

