Wellington Shields

EQUITIES PERSPECTIVE

August 13, 2021
DJIA: 35,499

Good ... but no DiMaggio! Some degree of adulation has been placed on the S&P, by the media at least, for its 47 new highs this year. DiMaggio's streak was 56, and it was consecutively! And they don't mention there was a similarly long streak before the crash of 87! Let us hasten to say, this isn't 87, but what's important here is the trend, and not every tick in that trend. This streak is easily explained by the fact we haven't had a 5% correction since late last year, and that is impressive. If you never go down, it's not all that hard to make new highs. We are all for uptrends, but we prefer the good old days pre-July 2, when it was the A/D index seemingly making daily new highs. There's more to those numbers than technical analysis Voodoo. It takes money to push up 2700 stocks as was the case Wednesday. The numbers are an insight into supply and demand.

It has been tough to know the players even with a scorecard. Or has the distinction between re-open and stay-at-home simply become blurred? Last week's payroll number was taken to signal re-open, and bonds were sold. The beneficiary here were the Financials, which had been more or less holding but clearly lagging. The change was dramatic, with 60% of the sector hitting 20 day new highs, and names like Goldman Sachs (415), Morgan Stanley (105) and Wells Fargo (51), of all things, scoring impressive breakouts. Another impressive move this week was in Steel. Even Copper has acted better, despite the apparent slowdown in China. Oil, too, with his own set of problems, has stabilized. If all this speaks well to re-open, stay-at-home and, specifically, work from home, hasn't exactly suffered – there's an ETF for the latter.

The vaccine stocks Wednesday caught a downgrade by Isaac Newton, something about that gravity thing of his. We mentioned on our Tuesday call that for Moderna (391) to be some 80% above its 50 day average was obscene. Of course, there are no magic numbers here, we were more thinking along the lines of Supreme Court Justice Potter Stewart and his description of obscenity, "I know it when I see it." Down 77 points on Wednesday looked like a real buying opportunity, but down 30 seemed the same. This latest move/break out was around 250, and carried to roughly 500. A 50% retracement would be around 375, and Wednesday's low was 372. Were it that easy, this would be coming to you from the South of France. If you would rather not sleep like a baby, that is, wake up crying every five minutes, you might consider the comparatively boring iShares Biotech ETF (IBB-169), where both Moderna and BioNTech (375) are among the top 10 holdings.

Speaking of gravity, Cathie Wood has had a tough go of it this year, understandable when Tesla (722) goes trading range on you and it's 10% of several of her portfolios. And to our thinking, stocks like Teladoc (145) and Roku (369) give her a leaning toward not "work from home," but stay-at-home. A move through 720 should get Tesla going again, and in her Ark Next Generation ETF (ARKW- 150) she has taken a liking to bitcoin, or cryptos in the form of COIN and GBTC (37). As it happens, by the end of last week we had as well. To use GBTC as a proxy, these stocks peaked in April coincident with the IPO of Coinbase (257). After basing for a couple of months, the gap above the 50 day caught our attention. The stock recently seems to have resolved a little consolidation, as the 50 day begins to curl up. After bottoming in May, COIN has stumbled around, but the recent move above 260 seems important.

August, September and October are a tough three months for the market, averaging less than a 1% gain in post-election years. It's even tougher for Ford (14) whose cumulative return since 1972 is minus 92% – your $1000 would have become $77, according to SentimenTrader.com. The period might explain the lagging A/D's since early July, though the better action in Financials should help – there are a lot of them. Still, we are never comfortable with A/D's diverging and would become particularly wary of up days in the averages with negative or flat A/D's. It's easy to say the trend is up, but what trend? The only real consistent uptrend has been in the S&P, as everything else just seems to rotate in and out of favor. As the S&P's performance would suggest, big has been better. Even on the NASDAQ, 70% of stocks in the NASDAQ 100 are above their 50 day average but within the broader NASDAQ Composite, fewer than 40% of stocks are above the 50 day. This speaks well of Tech, as does the S&P itself.

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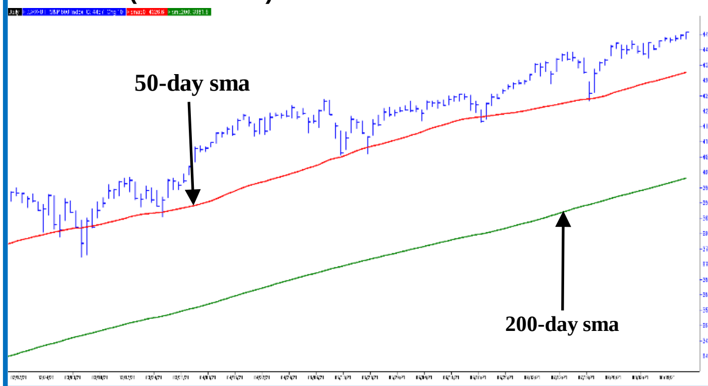
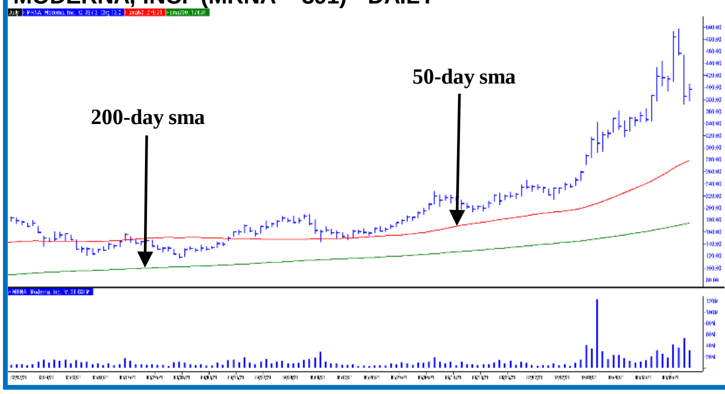
S&P 500 (SPX – 4459) – DAILY

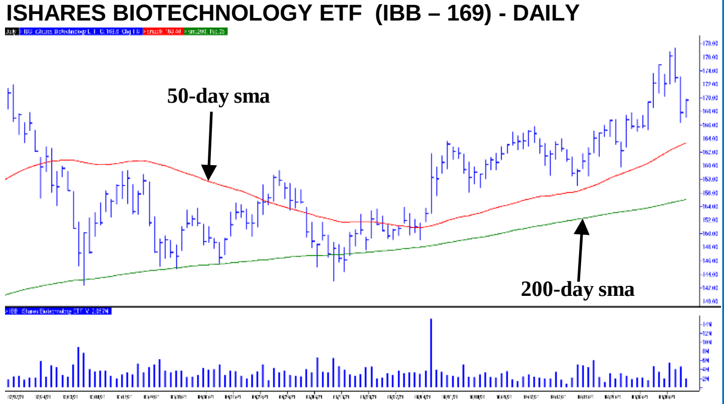


NASDAQ 100 (NDX – 15089) – DAILY

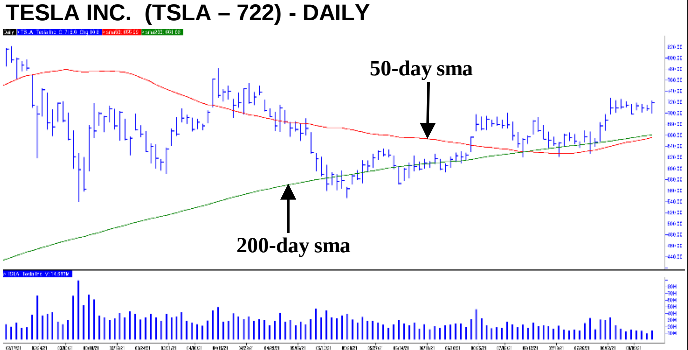
MODERNA, INC. (MRNA – 391) - DAILY



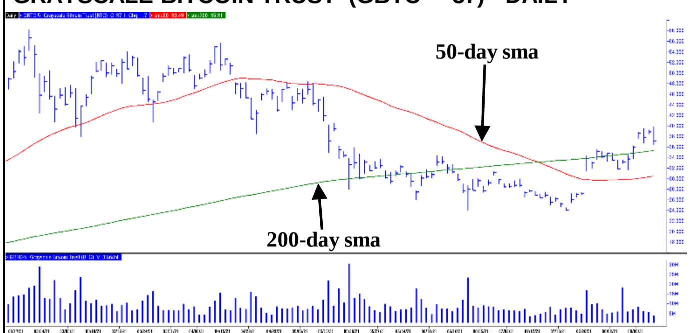
ISHARES BIOTECHNOLOGY ETF (IBB – 169) - DAILY



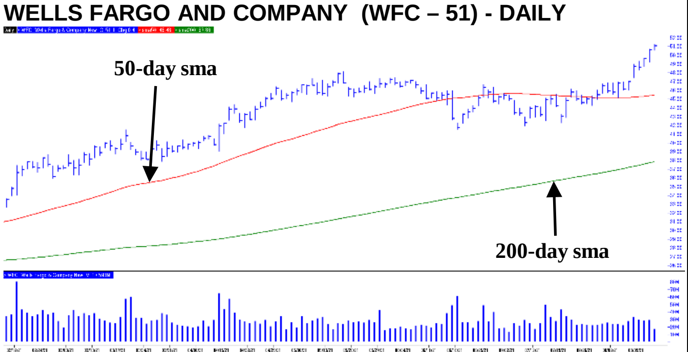
TESLA INC. (TSLA – 722) - DAILY



GRAYSCALE BITCOIN TRUST (GBTC – 37) - DAILY

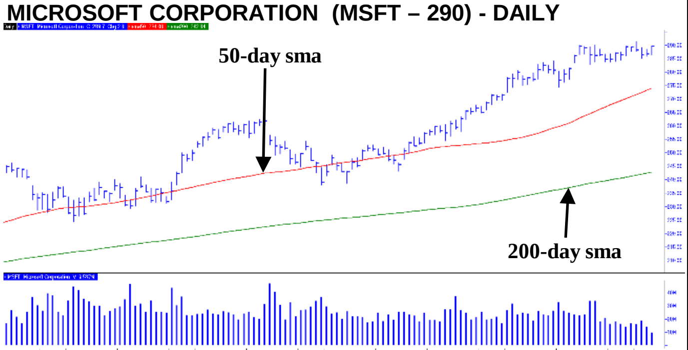


WELLS FARGO AND COMPANY (WFC – 51) - DAILY



DIREXION WORK FROM HOME ETF (WFH – 76) - DAILY

MICROSOFT CORPORATION (MSFT – 290) - DAILY



APPLE INCORPORATED (AAPL – 149) - DAILY