

EQUITIES PERSPECTIVE

October 1, 2021

DJIA: 33,843

It's the market that makes the news ... or is it? In good markets virtually all news is taken as good, bad news goes largely ignored. That left Tuesday's 500+ point down day as a bit of a conundrum. We know the technical backdrop has turned less than perfect, but it doesn't seem all that bad. The idea the lights are off in parts of Europe and, more importantly, China was like waking from a coma – where did that come from? Meanwhile, in the schizophrenic story of leadership this year, it has been a hate'm week for Tech, the blame being laid on the breakout in the 10 year yield. We get that, but the idea the lights are off in China, where Tech is made, may be the more important factor here. Most would argue it's better to have a supply problem than a demand problem – we're beginning to wonder.

The symbol for the Russell 2000 Index is "RUT," and that pretty much says it all. The index has gone more than 135 days without setting a 52 week high, yet it was down less than 10% at its worst point. Part of the problem might be too much of a good thing earlier in the year, when more than 90% of its components were above their 200 day, the most in 20 years. That AMC (38) remains the largest position in the index is a reminder of those days of Meme. Meanwhile, stocks above their 200 day have drifted back to 40%. The September-October period is a weak one for small-caps, as it is for most stocks, but that changes in Q4. Over the last 30 years, when the RUT (2204) has gone this long without a 52 week high and without a 10% correction, it has broken out to the upside every time, according to SentimenTrader.com. Then, too, we have all learned it's tough to beat the S&P.

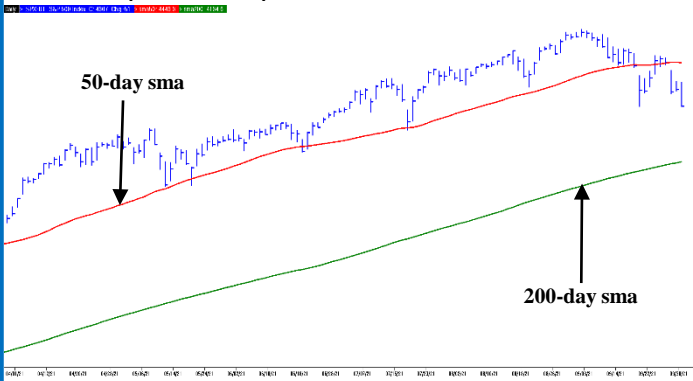
Someone lowered their price target for Amazon (3285)? Is Bezos leaving, are they hiring a gazillion workers when wages are rising? Or is it that the chart is bad, and which one? Sure the daily – each bar one day – has turned a little dubious, but the weekly is just a consolidation. It's the monthly that seems important here – a consolidation in a big uptrend. Amazon ran to September 2018, after which it consolidated until April 2020. From the breakout back then the stock doubled. When it comes out of this consolidation, good things should happen again. If you like looking at these long-term charts, take it from us, you need to get out more. That said, look at the monthly chart – each bar one month – of Tesla (775). Stocks don't go straight up, they consolidate along the way. Tesla is trying to come out of this sort of pattern. By the look of it, Cathie Wood may yet have a good year.

Once upon a time utilities were thought to be safe – ah, the good old days. Before Wednesday's rebound, however, the S&P Utilities Index had dropped every day since September 9, a period of 14 trading days, falling some 8.4% along the way. The losing streak was the longest since the utility stock average started in 1989, according to Bloomberg's Dave Wilson. It's also twice as long as any other series of losses this year among the S&P's 10 other main industry groups. Lore has it utilities are interest rate sensitive, and so it would seem. Utilities apparently do a lot of borrowing so there's that. What could be more at play is the sensitivity of utility stock buyers. With rates now rising the 3.07% yield on the SPDR Utility ETF (XLU-64) isn't what it used to be. Meanwhile, if it's an ill wind that blows no good, the rate sensitive banks have gotten a lift. The overriding message here seems clear, rates are going higher.

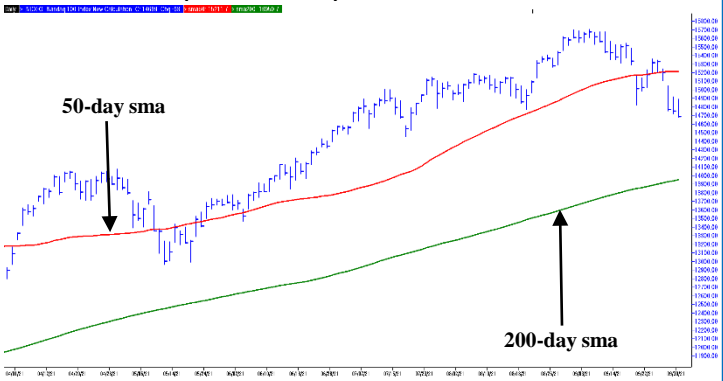
When the S&P broke it's 50 day a week or so ago, it seemed to get too much attention to be meaningful. And sure enough, it's snapped right back. Now, however, the S&P is right back to those lows, and without so much attention – a worry. It has been a bull market or a bear market depending on what you're in, and pretty much the week you're in it. It's a bull market if your long oil stocks, and better than that if your long the \$5 variety. Meanwhile there ain't no sunshine in solar, and though we hardly feel safer, even the cyber security stocks have come under pressure. Amidst the shortage of semis, the guys that make the stuff that make the stuff, like the ASMLs (748), also can't catch a break. Yet, even on a 500 point down day like Thursday, there was only garden-variety weakness in the A/Ds. It's hard to see a big move up here, especially since it's October, and maybe that says it all – be defensive.

Frank D. Gretz

S&P 500 (SPX - 4307) - DAILY



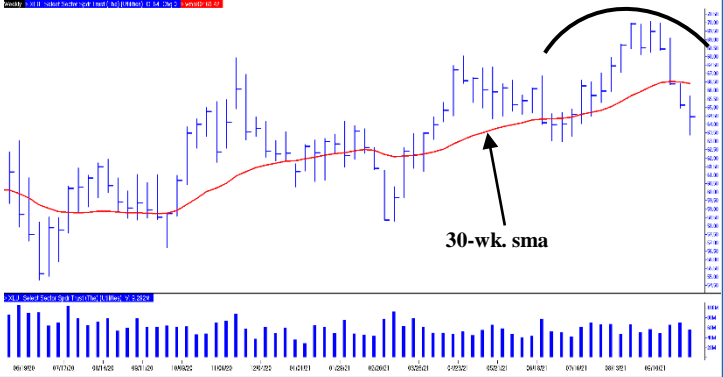
NASDAQ 100 (NDX - 14689) - DAILY



US TREASURY BOND YIELDS - 10 YEAR (USTBE) - WEEKLY



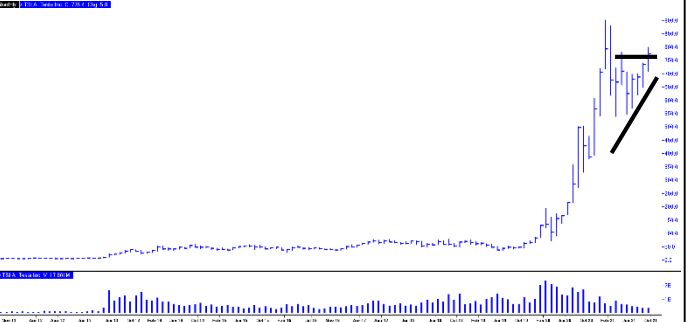
SELECT SECTOR SPDR TRUST-UTILITIES (XLU - 64) - WEEKLY



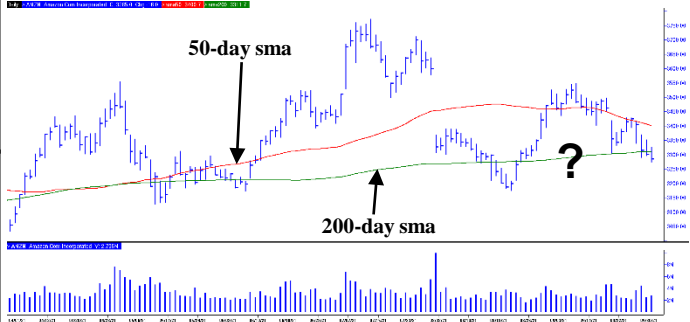
RUSSELL 2000 INDEX (RUT - 2204) - WEEKLY



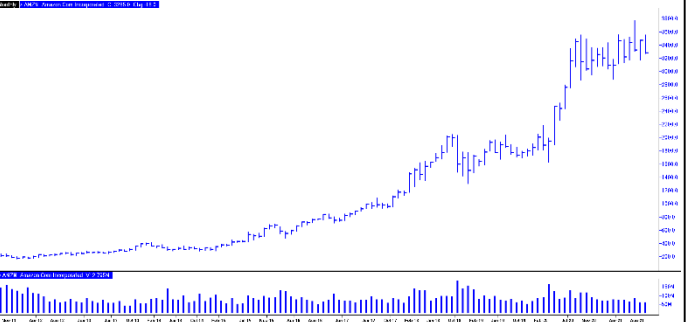
TESLA INC. (TSLA - 775) - MONTHLY



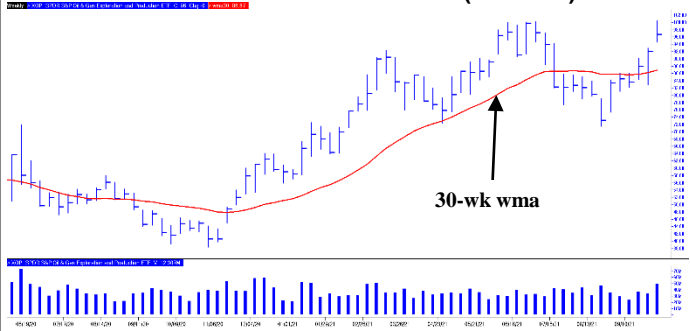
AMAZON.COM INCORPORATED (AMZN - 3285) - DAILY



AMAZON.COM INCORPORATED (AMZN - 3285) - MONTHLY



SPDR S&P OIL & GAS EXPL & PROD ETF (XOP - 96) - WEEKLY



NETFLIX INC. (NFLX - 610) - MONTHLY

