Wellington Shields
EQUITIES PERSPECTIVE

October 15, 2021
DJIA: 34,912

Start being naughty … you just might get coal for Christmas. These days coal is a good thing! Coal has been on a tear, as have most energy sources. And like most, it had been completely out of favor. When we checked on what used to be a coal ETF, we found it no longer exists – that's what we call out of favor. Obviously the world has changed for these energy stocks, but the change is exaggerated by the fact that no one owns them. As we pointed out last time, the same seems true of Staples, down to a market cap of only 6% of the S&P. The charts here are not as far along as the energy stocks, but names like Hershey (182) and PepsiCo (159) are more than good. Meanwhile, most of Tech has struggled. They like to blame rising rates, to which we say hooey – a technical term. In the case of Tech, just five stocks are 25% of the S&P, not exactly the energy sector profile. Rather than under owned, for Tech you might ask who is left to buy.

The overall market seems stuck in what reasonably might be called October. It's a tough month, often weak, usually volatile. We don't usually place too much emphasis on seasonal patterns, but October is different. So far it hasn't been all that bad, which itself is a reason for optimism. The market has had its chances to go down, but it has not. We know this sounds a bit perverse, but we've found what the market doesn't do often can be important. Similarly, weakness happens, but weakness is not how markets get into trouble. Trouble comes with weak rallies, as we call them. So far rallies have come with respectable Advance-Decline numbers. You don't want to see the Dow up a 100 or 200 points with even flat A/Ds, and so far we haven't. Things could yet change but, as we've suggested, the market has had its chances. And, October typically closes well.

Rather than stock exchange, of late the market has seemed more commodities exchange. Oil, of course, has been the poster child here, perhaps the best example of what under owned/ under loved can do. We've heard it said oil is peaking, to which we say we don't see it, but who knows. Being bullish, we do know we would rather have them call for a peak then call for $90-$100 oil. We don't remember anyone getting the peak in oil reasonably right over the years, but we do remember plenty of raised targets before any peak. Meanwhile, there's also Lithium and Uranium with their respective ETFs, LIT (85) and URA (28), and stocks like Lithium Americas (25) and Cameco (25). Copper, while better of late, is still basically neutral, but gold finally is lifting.

If all of this sounds like inflation, it should. The oil market clearly has garnered the most attention, but higher prices show up in other commodities, the labor market and complaints from businesses as they struggle with higher prices. It shows up in other areas of the commodities market as well, more subtle in that they are not covered in futures markets. The Commodities Research RIND Index covers a group of industrial materials which includes obscure commodities such as burlap, tallow and, our personal favorite, lard. These may better reflect the pressures on supply and demand flowing into industry, rather than speculative flows, and this group is now near an all-time high. Then there are the industrial metals, normally driven by demand from China. While China has been trying to dampen speculation in metals, it hasn't stopped surging prices, including the highest level since 2012 in the Bloomberg Industrial Metals Index. It all sounds a bit more than transitory.

Amidst all this talk of commodities and inflation, did we mention AMD (112) broke out Wednesday, Nvidia (217) and Microsoft (303) Thursday? Not all of Tech-land is so fortunate, but then there are some new Tech leaders, at least new to us, Snowflake (332), Data Dog (153) and Upstart (380), that are almost stretched to the upside. The market is nothing if not confounding, but in this case in a surprisingly positive way. One thing that never confounds is the ability of those banks to disappoint, even JP Morgan (163). The amazing thing on Wednesday was thanks to the financials the Dow was flat but the Advance-Declines were 1.8-to-1 up – a strong weak day. We used to say most days most stocks go up, but that hasn't been the case of late – the market has been in a correction, though it has been more consolidation than correction. We can say on the up days most stocks go up, and that has been important. Rather than bearish we've been Octoberish, and October is winding down.

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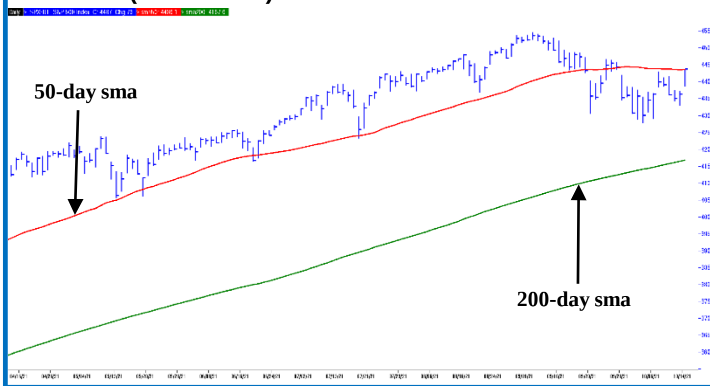
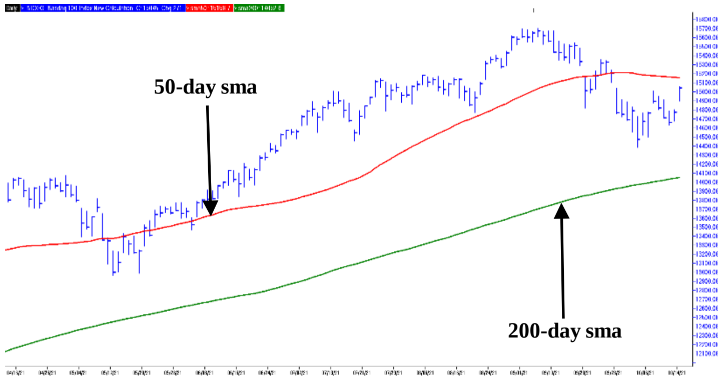
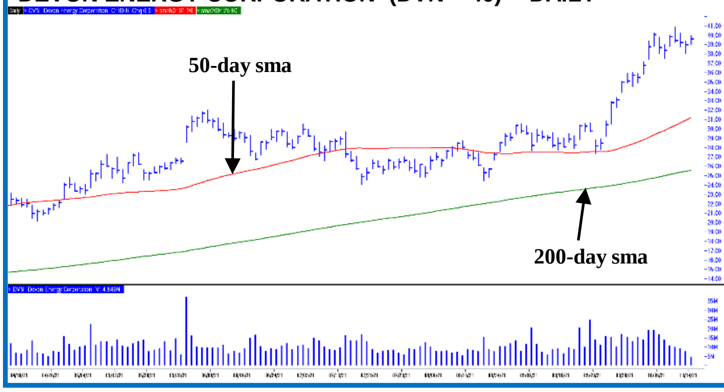
S&P 500 (SPX – 4432) – DAILY



NASDAQ 100 (NDX – 15052) – DAILY



DEVON ENERGY CORPORATION (DVN – 40) - DAILY



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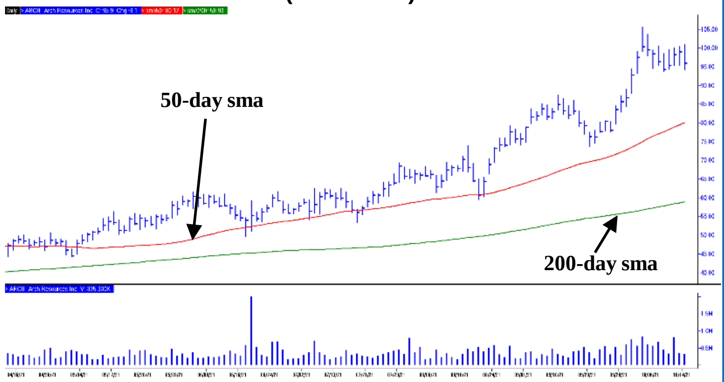
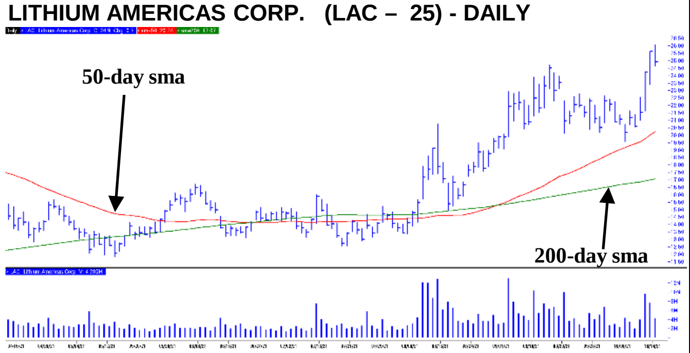
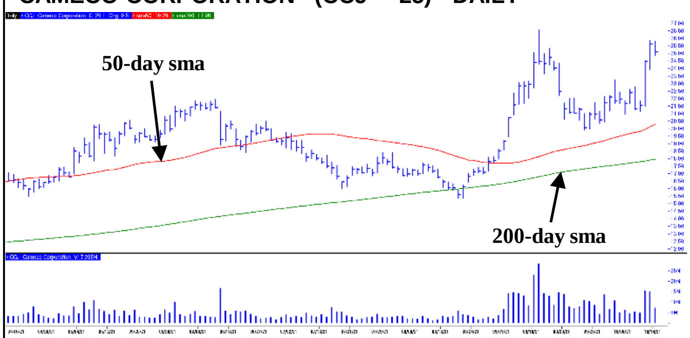


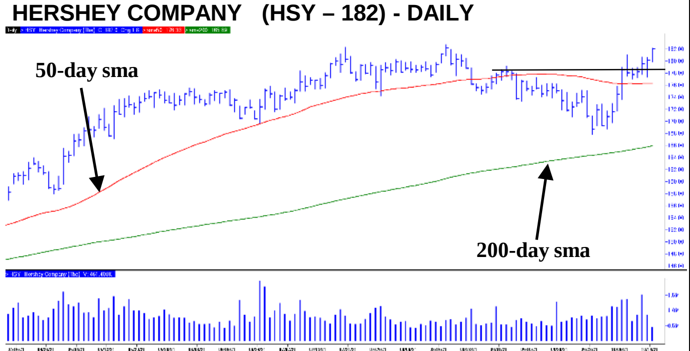
LITHIUM AMERICAS CORP. (LAC – 25) - DAILY



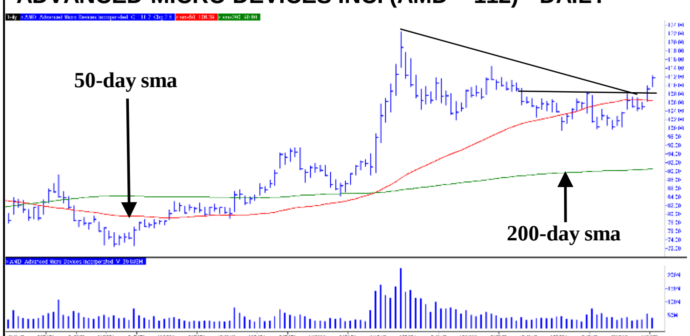
CAMECO CORPORATION (CCJ – 25) - DAILY



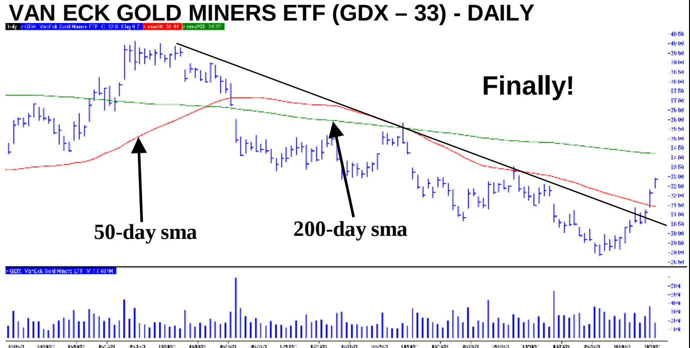
HERSHEY COMPANY (HSY – 182) - DAILY



ADVANCED MICRO DEVICES INC. (AMD – 112) - DAILY



VAN ECK GOLD MINERS ETF (GDX – 33) - DAILY



DATADOG, INC. (DDOG – 153) - DAILY