Wellington Shields

# EQUITIES PERSPECTIVE

October 22, 2021
DJIA: 35,603

Woulda, coulda, shoulda ... but didn't. It's more than a little pretentious to talk about what the market should or should not do. Then, too, if you're reading this it's not your first day at the rodeo, and we all have a pretty good idea of how the market tends to react to news. The market as measured by the S&P has had a 5% correction, but we would argue there has been news which could have sent prices quite a bit lower. The Fed has said it will taper, yet there was no tantrum. There are 100 ships waiting outside the port of LA compared to a pre-Covid average of 17. Congress can't get out of its own way, and the growth driver they call China has become a bit unglued. We realize it's a bit perverse to argue the market is going up because it didn't go down, but sometimes that's the way it works.

The correction saw its share of selling, including a fair number of negative days in the Advance-Declines. When the averages are down, that's just what happens. Drops of 200-300 points in the Dow, for example, will see 2-to-1 down days but that's not a worry. We don't worry so much about the down days, we worry about the up days, that is, the weak rallies. Those were absent during the selloff —the up days saw respectable participation. That's always important, but especially in the midst of a selloff it's good to see demand not completely disappear. Finally, there's the idea that strength begets strength. At the end of September 80% of the S&P component stocks were higher on the year, something that has happened only five other times in 40 years, according to SentimenTrader.com. The others all saw stocks higher into year-end.

The S&P is up about 20% this year. The real story this year, of course, is the S&P has been hard to beat. After all, how much of the five stocks that dominate the index can you own? As for the rest, they've come and gone and come and gone, something they've called rotation. This isn't the first time this year we've thought of just buying the SPY'S (454) or the Q's (377). You might also look at something like the Momentum ETF (MTUM-187) with its 5% position in Tesla (894), and positions in financials, part of the leadership. The ETF has made a new high, usually a good sign coming out of a correction. Meanwhile, it has been more of a commodities market than stock market — Oil, of course, Uranium, Lithium, Copper and everyone's holiday favorite, Coal. Tech is mixed, even within the semis where we favor AMD (119) and Nvidia (227). The FANGS, ex. Facebook (342), also have shaped up and would seem go-to stocks into year-end.

The much awaited Bitcoin ETF (41) launched on Tuesday. If, as Jamie Dimon has suggested, it's just the proverbial can of tuna, made for trading and not for opening, trade it did – some 27 million shares on the day. We have nothing against bitcoin, and to look at the Grayscale (49) chart, though back to the resistance area of the old highs, it has acted quite well. The problem with ETFs like BITO is they are futures based. Futures contracts have to keep being rolled over, and that costs money. The United States Oil Fund (57), for example, is similarly based. From a peak back in 2012, the fund is down some 83%. Crude is not down 83%. The SPDR Gold Trust (167) was devised by the gold mining companies to promote interest in gold. It did not, but instead investors just bought the ETF. Suppose the same sort of thing were to happen with bitcoin?

For the first time since early September the Advance-Decline index has made a new high. It is almost without precedent to see the market averages peak before the A/D Index, and typically by several months, so it's another good sign for the uptrend's longevity. Another good sign is the market's momentum in just the last month. From less than 10%, the number of S&P component stocks above their 10-day average has cycled to above 80%. This is very unusual, typically only seen after significant declines. It, too, suggests a durability to the rally. While all seems well, of course there will be setbacks and the problem of the ever changing reflate or not reflate trade. Then, too, we are nearing that wonderful time of year when October comes to an end. The time of the year, too, when professional money managers don't want to be left behind.

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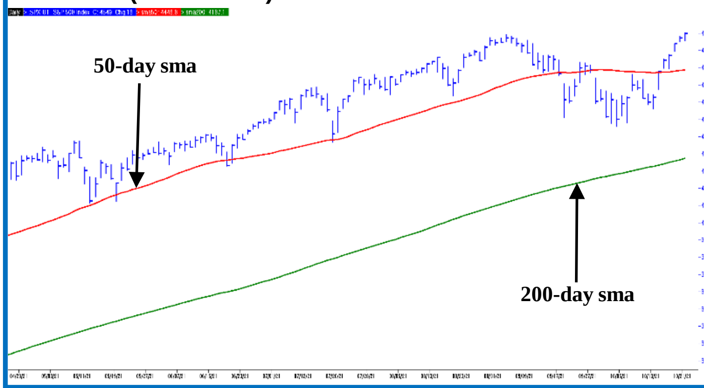
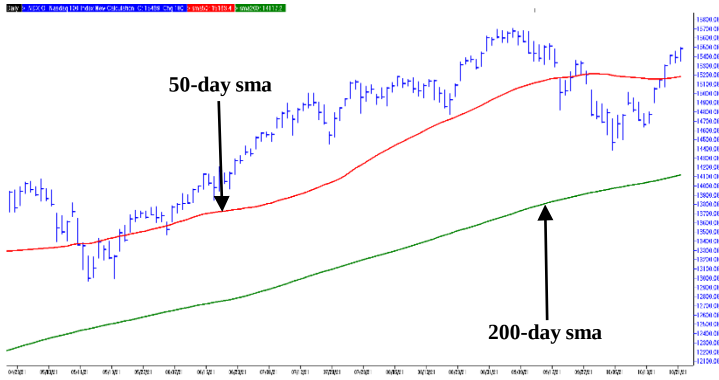
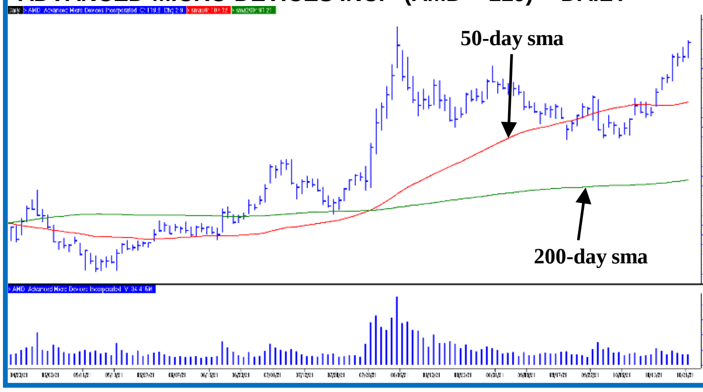
## S&P 500 (SPX – 4549) – DAILY



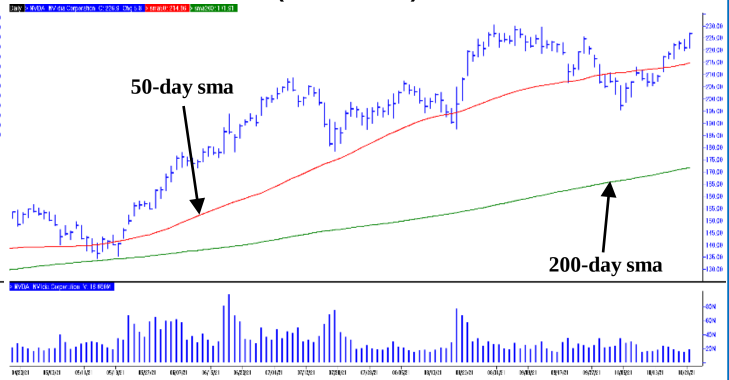

## NASDAQ 100 (NDX – 15489) – DAILY



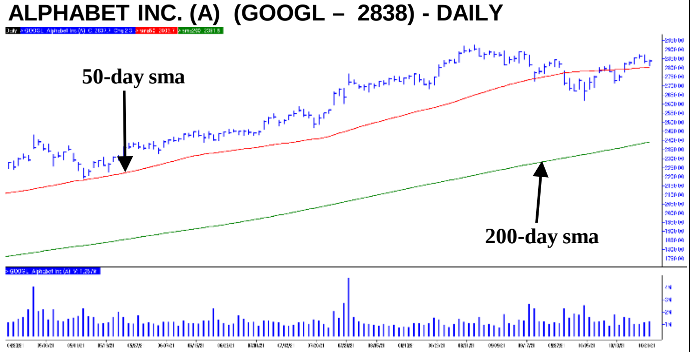

## ADVANCED MICRO DEVICES INC. (AMD – 119) - DAILY




## NVIDIA CORPORATION (NVDA – 227) - DAILY

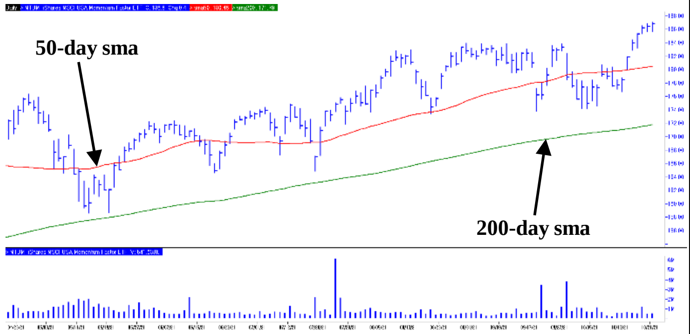



## ALPHABET INC. (A) (GOOGL – 2838) - DAILY

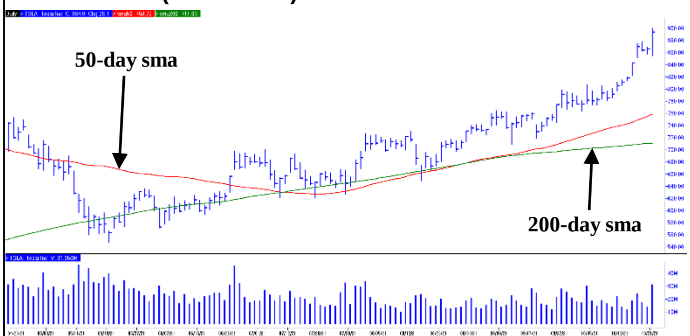



## NETFLIX INC. (NFLX – 653) - DAILY

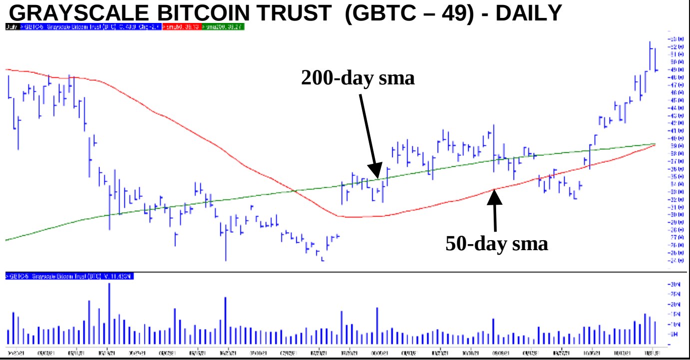

## ISHARES MSCI USA MOMENTUM FACTOR ETF (MTUM – 187) - DAILY




## TESLA INC. (TSLA – 894) - DAILY




## GRAYSCALE BITCOIN TRUST (GBTC – 49) - DAILY




## UNITED STATES OIL FUND, L.P. (USO – 57) - MONTHLY