Wellington Shields

EQUITIES PERSPECTIVE

November 12, 2021
DJIA: 35,921

The running of the bulls… or is it the running-in of the bears? It's hard to sell anything when everything you have sold keeps going higher. Then, too, that's the sort of thinking that leads to days like Tuesday and Wednesday. Prices are stretched which is hardly an insight. Stretched patterns certainly are entitled to a little mean reversion but the current background is not one from which big declines begin. Tesla (1064) and others may be subject to some gravitational pull, but a first leg down isn't the one that finishes them. There always will be a recovery/rally and if not back to the highs, then worry. Like the market itself, these big uptrends don't die easily. Then, too, contrary to that sage Mae West, sometimes too much of a good thing is too much, and it's time for a rest. The seasonal pattern and, more importantly, the upside momentum still suggest more upside into year-end.

A friend of ours is an oil analyst and we always kid her – at least we say we're kidding – that no one needs an oil analyst. After all, when oil stocks are going up they all go up, and when they go down they all go down. It's the most homogeneous group we know of, and it takes that to the extreme. If the truth be known, the original saying was about technical analysts – in a bull market you don't need them, and in a bear market you don't want them. Obviously, if only for job preservation, we beg to differ. This year has been more about where you are in rather than whether you're in, and where you are in has been a movable feast. What brings this to mind is last week's break out in the Russell 2000. The index is one thing, the 2000 stocks something else. Without wanting to be too dramatic, all the nothing burgers lifted — the Sally Beauty's (20), American Eagle's (26), Desktop Metal's (8.5), and so on. There were 3000 stocks up that day, a day you didn't need a technical analyst

While the breakout in the Russell 2000 and the many secondary stocks should bring some new life to the market, some favorites of yore have had a difficult time recently. Many, of course, are the pandemic stocks, a poster child of which is Peloton (51). They loved it on the way up, now they're calling it a clothes rack. They, so to speak, can be fickle but this is hardly new. Another name to be wary of is Zoom Video (248). We can envision "zoom" becoming obsolete as a word. And for both Peloton and Zoom there's also the little matter of competition. For a couple weeks we wondered what was wrong with PayPal (202) and now we know. Meanwhile, as bitcoin soars, Coinbase (336) doesn't seem a beneficiary. A look at the chart of Interactive Brokers suggests there's a little competition here.

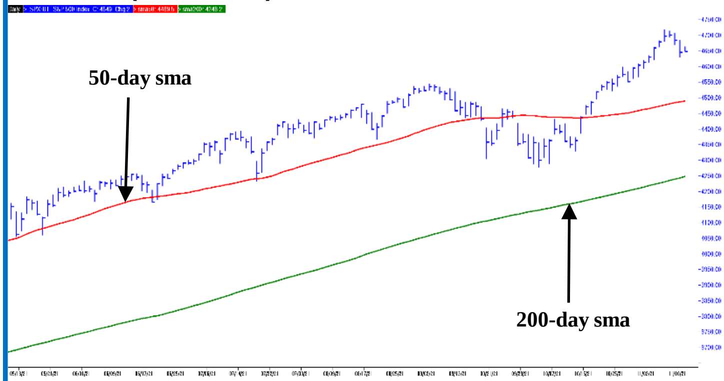
With all the talk of inflation, let alone its reality, it has been surprising gold/silver hasn't done better. This seemed to change with Wednesday's inflation number. Just why the number was such a surprise is hard to say, but the metal did react. GLD (174), the Commodity ETF, moved above a five month trading range, GDX (35), the Miners ETF, hasn't quite made it. Both remain in overall downtrends and much the same is true of silver. There seems plenty of potential in these patterns, though it could take time. The Wednesday action does seem an important start. And the multi-year perspective here really isn't bad. The GDX ETF showed an 18% annual return in the three years through November 4, despite a -17% return in the last 12 months, according to Morningstar. Some contend bitcoin is the new gold, but with bitcoin's volatility we don't see it. It also has been surprising that negative real rates haven't given gold more of a boost, but that may be yet to come.

Uptrends have their corrections, even the best of them. Stretched markets and stretched stocks are always vulnerable to a little untoward news. When Tesla came down the other day, they found ice on it. Every stock is different, but at close to 50% above the 50 day average, it had pretty much gone vertical. They'll blame the correction on Musk for selling some, or should they blame him for creating the monster? It's funny how the market's little correction of less than 1% seemed like more, perhaps because a couple of the sacred were hit. And Wednesday did see the A/D's at better than 2-to-1down. As we always say, we don't worry about the weak down days, they happen. We worry about the weak up days, the days with the DJ +300 and the A/D's flat or worse. With the Dow down 150 points Thursday, the A/D's were positive, a good sign.

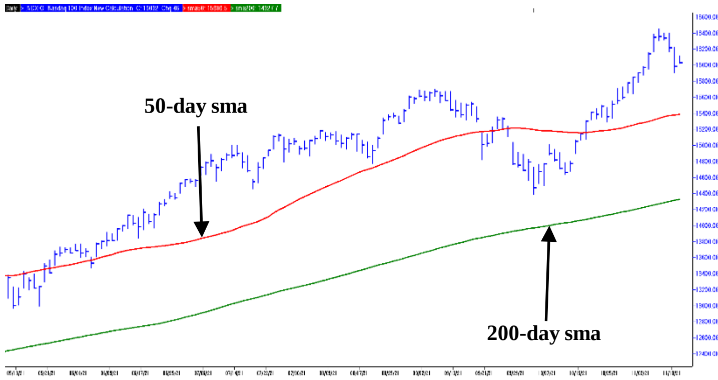
Frank D. Gretz

140 BROADWAY NEW YORK, NY 10005 TELEPHONE: (212) 320-3000

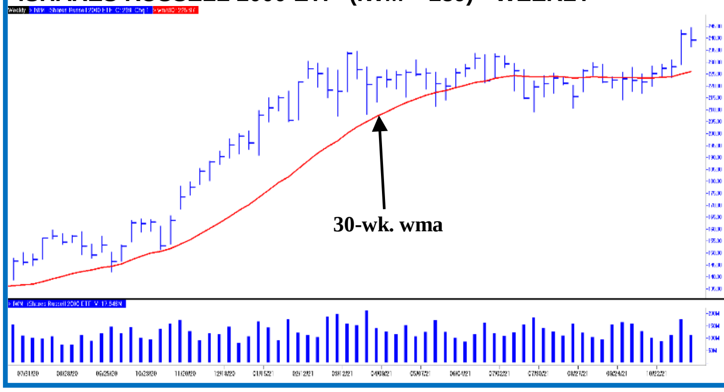
S&P 500 (SPX – 4649) – DAILY



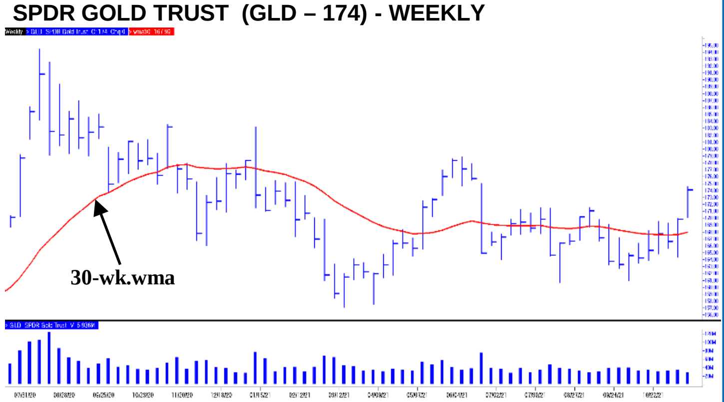
NASDAQ 100 (NDX – 16032) – DAILY



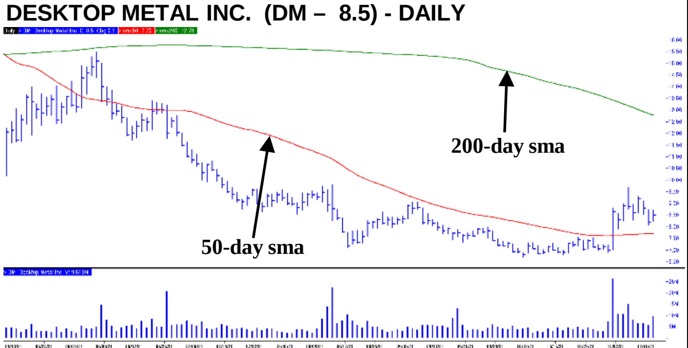
ISHARES RUSSELL 2000 ETF (IWM – 239) - WEEKLY



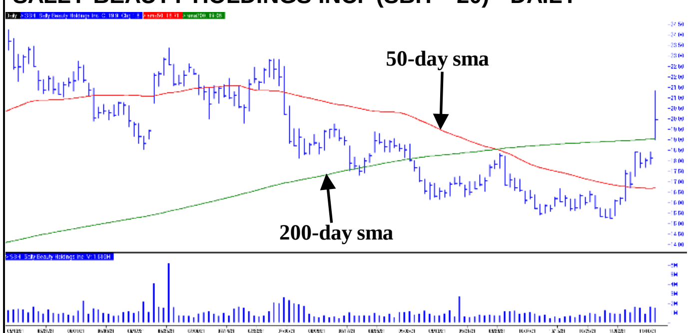
SPDR GOLD TRUST (GLD – 174) - WEEKLY



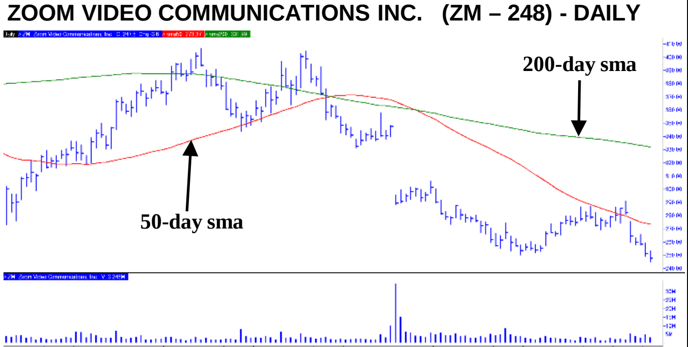
DESKTOP METAL INC. (DM – 8.5) - DAILY



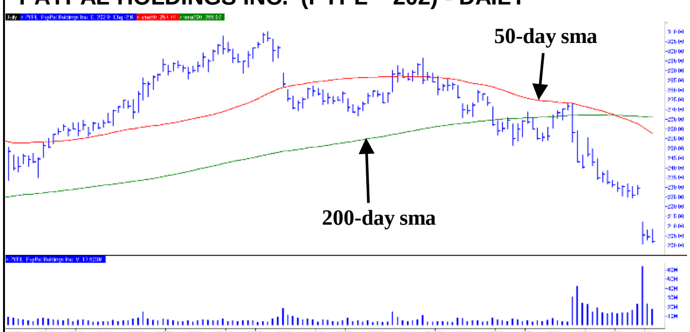
SALLY BEAUTY HOLDINGS INC. (SBH – 20) - DAILY



ZOOM VIDEO COMMUNICATIONS INC. (ZM – 248) - DAILY



PAYPAL HOLDINGS INC. (PYPL – 202) - DAILY



TESLA INC. (TSLA – 1064) - DAILY

NVIDIA CORPORATION (NVDA – 304) - DAILY