

EQUITIES PERSPECTIVE

November 5, 2021
DJIA: 36,124

From Facebook to META ... too bad Philip Morris was taken. As is typical of most renamings, this one has its critics. Professionals find “META” (336) already a fairly common name, and it’s one that ties the company to a very specific future in the augmented/virtual reality space – about which most were unaware. What may capture the spirit of the many cynics, it’s like a restaurant that fails its health inspection and changes its name in a rush, said Ryan Goldstein of A. P. Keaton. As the saying goes, a rose by any other name is still a rose. It’s one thing to have the government on your case, something else when even your employees turn on you. For all its troubles, recent weakness is a mere flesh wound to that long-term chart. A move down to 300, a break of the uptrend, would be a different story.

For the market overall the backdrop has lined up pretty well for a good fourth quarter. From last Thursday, the 208th trading day of the year, the odds of a 5% or greater decline through year-end are only about 15%. The odds of a 20% correction are more like 2%, according to SentimenTrader.com. Speaking of seasonality, Staples have a win rate of close to 85% this time of year. We mentioned before when 80% of the S&P components were up on the year at the end of the third-quarter, as was the case this year, the market was higher in the fourth quarter each of the five other times. And the S&P component stocks have cycled from fewer than 10% of stocks above their ten-day average to more than 80%. When this close to new highs in the averages, returns were positive several months later.

If that’s the backdrop, the market action itself has lived up to it. On Monday with the Dow up only about 90 points, there were 3000 stocks up on the NYSE. That’s almost remarkable. It’s the sort of number you expect to see at the start of a bull market rather than one this far along. The Advance-Decline Index is at a new all-time high, leaving less than a 5% probability of a 10% or greater decline in the next few months. The reason for Monday’s unusual number was the strength in so many secondary or mid-cap stocks. The Russell 2000 (238), a measure of secondary stocks, finally has broken out of what pretty much has been a year-long trading range. Inasmuch as secondary stocks typically peak before the large-cap averages, leaving divergences in the A/D Index, this seems another positive sign in terms of the uptrend’s longevity.

They say in a bull market you don’t need a technical analyst, and in a bear market you don’t want one. A day with 3000 advancing issues does not a bull market make, but it is a day when you don’t need anyone to tell you what’s going up. That said, the various commodity groups – oil, lithium, uranium and probably gold, still appeal to us. And if those underinvested pros are about to get run-in, you have to think Tech, including FANG, and Google (2965) especially. Meanwhile, Tesla (1230) can’t go up forever, or can it? At almost double its 50 day, history says time for a rest. We find interesting an ETF with one of our favorite symbols, MOO (97). This AG Business ETF in its top holdings covers a couple of excellent charts in diverse areas – Zoetis (218), a drug company, and the retailer, Tractor Supply (218). The ETF is consolidating just above its base pattern.

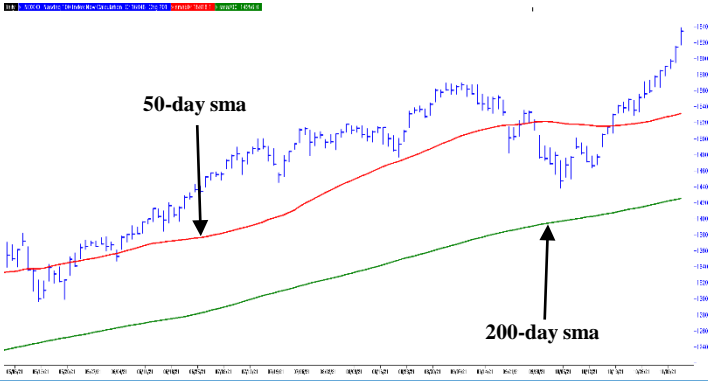
Taper without the tantrum? It’s not so much the market got what it wanted, it got what it expected. It was a “nothing to see here” sort of fed event. If good enough for the market, it’s good enough, but still. The market’s fixation on rates and when they will rise seems a little misplaced when historically markets rise well after the first right hike. Meanwhile taper means money is coming out of the demand equation and that would seem to matter. But, sufficient unto the day is the evil thereof. Here again, pay attention to those Advance-Decline numbers. If there’s less money to push stocks higher there will be fewer and fewer advancing issues. Instead of Monday’s 3000 advancing stocks, there will be a rally in the averages with just as many declines as advances. That’s when trouble starts. Taper is our idea of bad news, the market ignored it. That’s what good markets do.

Frank D. Gretz

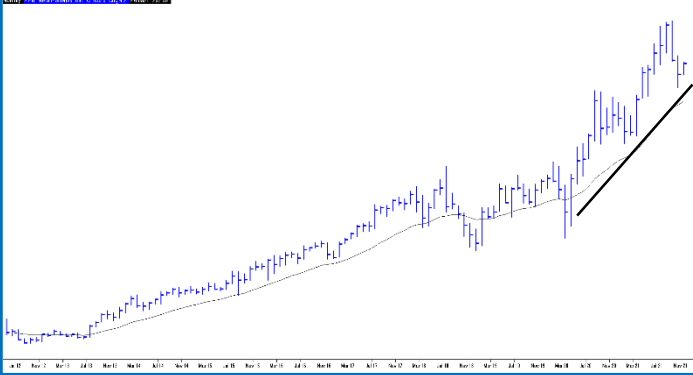
S&P 500 (SPX - 4680) - DAILY



NASDAQ 100 (NDX - 16346) - DAILY



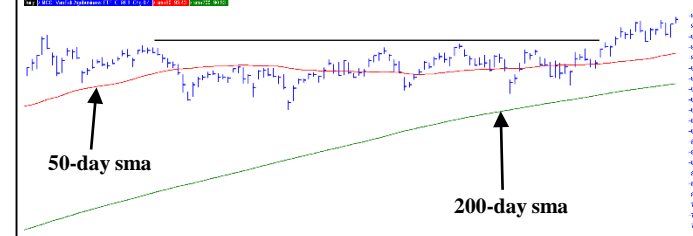
META PLATFORMS, INC. (FB - 336) - MONTHLY



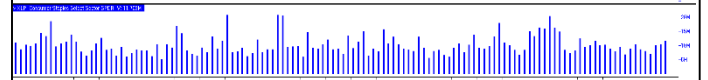
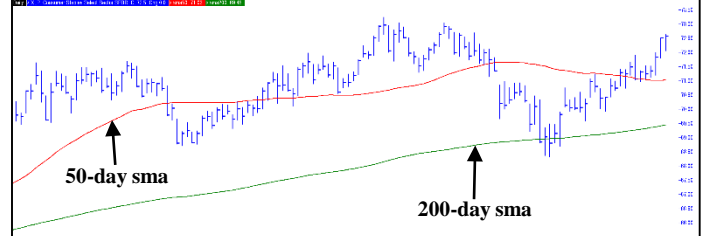
ISHARES RUSSELL 2000 ETF (IWM - 238) - MONTHLY



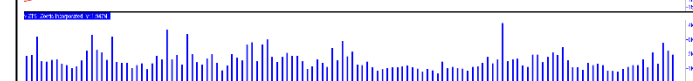
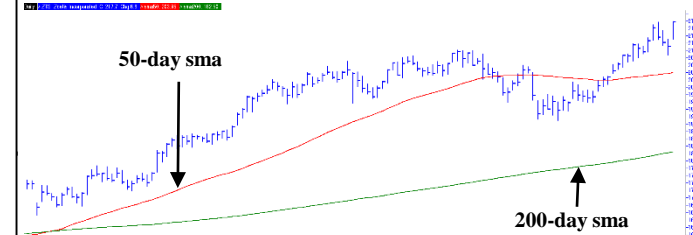
VANECK AGRIBUSINESS ETF (MOO - 97) - DAILY



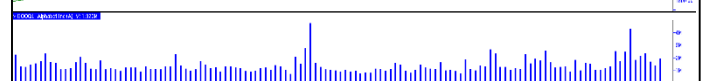
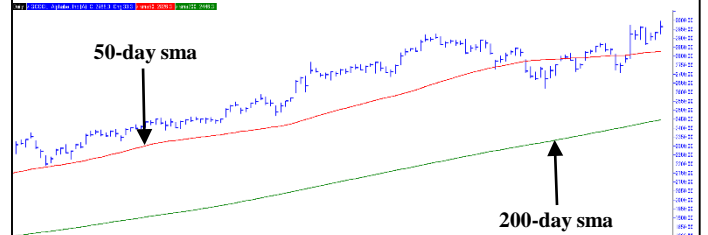
CONSUMER STAPLES SECTOR SPDR (XLP - 73) - DAILY



ZOETIS INCORPORATED (ZTS - 218) - DAILY



ALPHABET INC. (A) (GOOGL - 2965) - DAILY



TRACTOR SUPPLY COMPANY (TSCO - 218) - DAILY



TESLA INC. (TSLA - 1230) - DAILY

