Wellington Shields

EQUITIES PERSPECTIVE

December 10, 2021
DJIA: 35,754

No cigar … but close enough? Not every sell-off ends in a real washout, and this one did not. Still, this seems a credible low. Certainly the decline had its moments, including a couple of near 90% down volume days, important when you consider sellers, not buyers, make lows. Lacking was an 80% up day or a 5-to-1 A/D day, achievable when sellers are out of the way. Somewhat ironically, rather than momentum numbers it's the sentiment or psychology side that says low. The surge in the VIX (21) and subsequent reversal says there was panic, and it has now ended. In a complete turnaround, the extreme Call buying turned to Put buying to the highest degree since the pandemic rally began. And inverse ETF buying, today's equivalent of short selling, reached 2.2% of NYSE volume, the most ever. So no washout low, but likely one good enough for now.

The market pretty much played doctor to start Monday's 600 point rally. While we didn't hear anyone screaming the variant is not a problem, the market did just that – the vaccine stocks tanked and oil stocks surged. This was, of course, just the opposite of the 900 point drubbing a week or so ago, when the markets seemed to be saying all was lost. Markets are not always right and may not be again this time. At least they are a reasonably fair game, and the market gets it right more often than most of us. Hence, our predilection for observing and keeping the predicting to a minimum. You didn't have to predict the little correction we've been through, you just had to observe the S&P and NASDAQ dancing around their highs while the A/Ds were negative for seven consecutive days – that never ends well. Even now those numbers will be important. You don't want to see strength in the averages against the pattern of weak or negative A/Ds.

Leadership this year has been fickle, to put it kindly. For the most part there has been a division between stay or go, stay at home or don't stay at home. Of late there seems another division within stay at home – don't get on an international flight or a cruise ship, don't get on your Peloton but by all means go to McDonald's. And what does it mean when MCD (262) is acting better than Microsoft (333)? Fortunately we're not afflicted with the problem of figuring out why things are as they are, we just know when they are what they are. Our two cents, and you get what you pay for, we could be about to see a shift away from stocks selling for a multiple of sales back to stocks selling for a multiple of earnings. We are not suggesting you sell your Microsoft, but it may be time to take a hard look at stocks like McDonald's or a Procter & Gamble (153), stocks where the long-term trends resemble that of Microsoft.

This time of year everyone tends to chomp at the bit to predict next year's returns. Interesting when you consider few predicted even the recent little setback, and when the start of the calendar year is often a predictor of how it will end – the old, as goes January thing. Undaunted, and interesting for the call, are predictions of a negative return from institutions as big and influential as Morgan Stanley and B of A, both of whom it would seem have a vested interest in seeing prices higher. Their concern is inflation and, therefore, rising rates. As suggested above, we're not fond of predictions and will wait to see how the now lagging Advance-Decline Index plays out. Were we to venture on the dark side of funnymentals, it's not hard to see trouble next year. Rates seem headed higher, and "don't fight the Fed" works both ways. The real worry seems consumer sentiment where the numbers peaked earlier in the year. They have an excellent record of preceding downturns.

After major declines, stocks bottom together – when the selling is done, it is as though there's a vacuum on the upside. Tops are completely different. Stocks/groups peak a few at a time, typically the big first and, therefore, the divergences between the averages and the A/D Index. Typical as well, speculative areas peak early. Where did all those SPACS go, let alone those MEME stocks? Certainly controversial and certainly an area of speculation is bitcoin. We're speaking here of the surrogate equities, like Riot Blockchain (26), Marathon Digital (41) and Coinbase (264). We know they have survived this look before, but the charts here are not pretty. As for the market, if the Fed meeting next week is as hawkish as expected, will that be a surprise? Another time when the market will make the news, and a time to not predict but to observe. Thursday was one of those bad up days of sorts, Dow flat, A/Ds 3-to-1 down. That's not gonna get it done. Down days happen, bad up days are a problem. We seem out of the woods, but watch those A/Ds.

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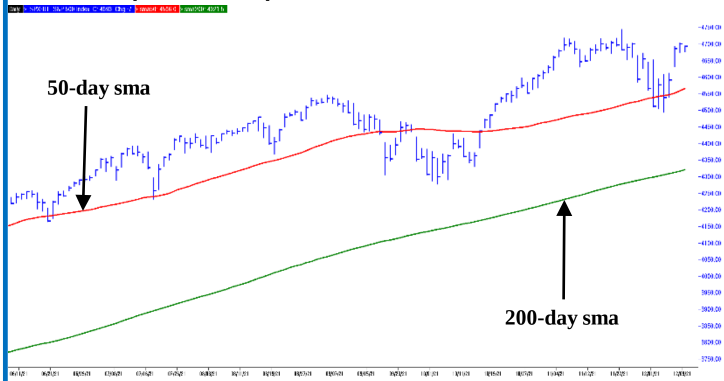
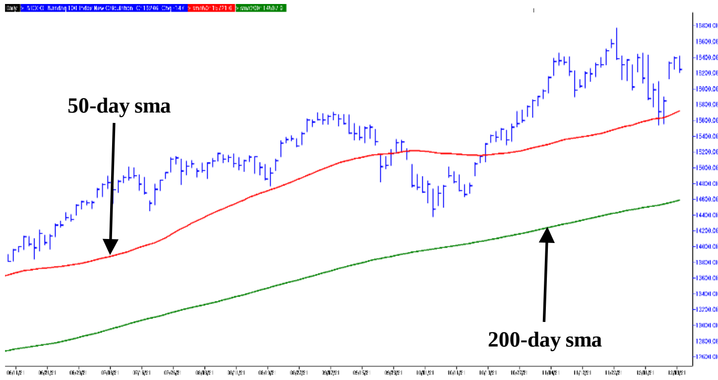
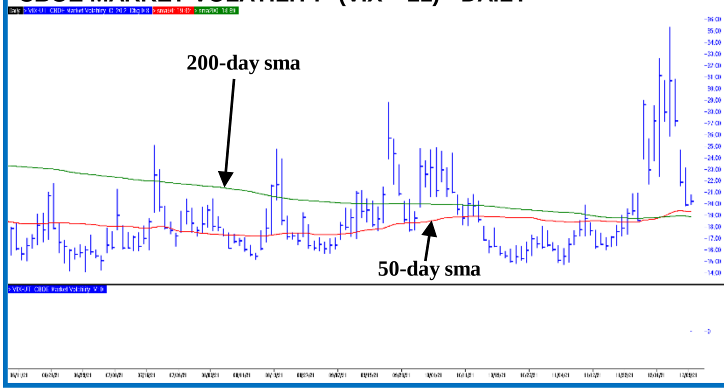
S&P 500 (SPX – 4667) – DAILY



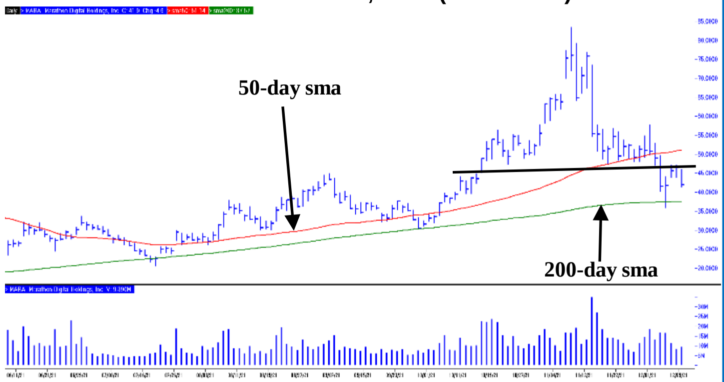
NASDAQ 100 (NDX – 16149) – DAILY



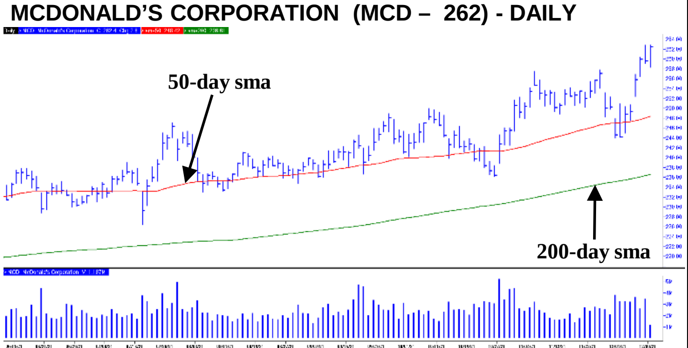
CBOE MARKET VOLATILITY (VIX – 21) - DAILY



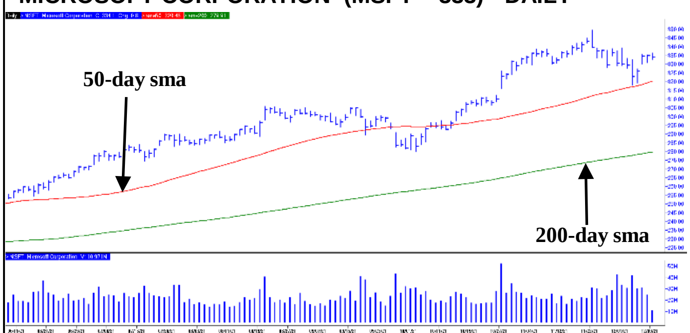
MARATHON DIGITAL HOLDINGS, INC. (MARA – 41) - DAILY



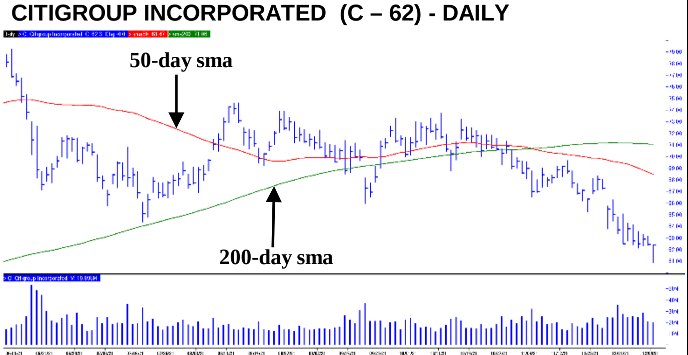
MCDONALD'S CORPORATION (MCD – 262) - DAILY



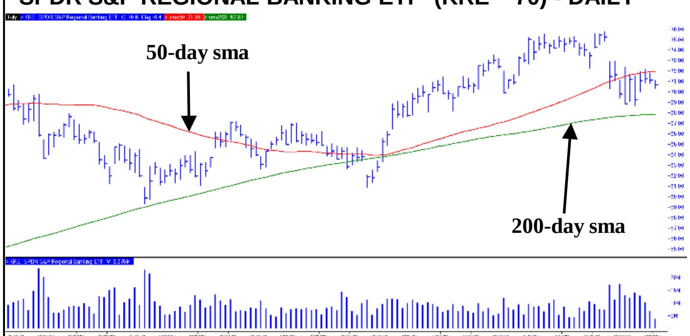
MICROSOFT CORPORATION (MSFT – 333) - DAILY



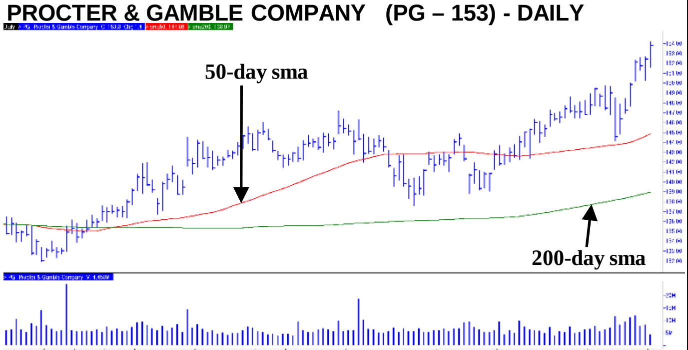
CITIGROUP INCORPORATED (C – 62) - DAILY



SPDR S&P REGIONAL BANKING ETF (KRE – 70) - DAILY



PROCTER & GAMBLE COMPANY (PG – 153) - DAILY



REAL ESTATE SELECT SECTOR SPDR FD (XLRE – 49) - DAILY