Wellington Shields

EQUITIES PERSPECTIVE

February 18, 2022
DJIA: 34,312

Good news is nice … but it's not how lows are made. Peace in Vietnam, or wherever it is this time, we've seen before. Peace rallies never seem to last. Start bombing, then maybe you have something. Lows after all, are made by the sellers rather than the buyers – bad news begets the selling. Still, Tuesday's rally was noteworthy not for its 400 DJ points, but for the 3-to-1 A/Ds. One day is just that, but in real bear markets technically good days are not so easy to come by. Wednesday was impressive in a different way – weak averages but positive breadth most of the day. We doubt this changes anything in the grand scheme of things – even bear markets don't go straight down. Beware an outbreak of peace, whereas conflict likely would provide a better turn.

Despite some surprising strength this week, the overall downtrend should be the focus. Then, too, had we seen decent upside in the averages and flat or negative A/Ds, that would have made it easy – weakness in an already weak trend. Should that pattern yet come to pass, and we suspect it will, that should be a real warning. And by the way, don't expect those commodity stocks to survive a big downtrend. Oil had an even better rally in the summer of 2008, amidst talk of $200 crude. We know how that ended. Things can change quickly in the direction of the overall trend. Meanwhile, we may just see a blow off sort of move in some of these commodity stocks, a tantalizing temptation. To paraphrase **The Usual Suspects**, the greatest trick a bear market can play is make you think it doesn't exist.

Barron's refers to Deere (380) as the "Tesla of farming." With a long-term perspective, it could be the Tesla (876) of charts. Having recently hit an all-time high, part of the strength has to do with comments from competitor Case New Holland. That company noted the average fleet age for farm equipment is at a 20 year high, so demand for new equipment is set to rise. Aside from its own higher guidance in November, Deere unveiled an autonomous tractor in January at, of all places, the Consumer Electronics Show in Las Vegas. According to Barron's Jacob Sonenshine, industrial companies such as Deere are often able to pass on higher material costs, particularly as Deere's tech-enabled offerings come with greater efficiency. Meanwhile, while the stock is trying to come out of a little consolidation just at the 400 breakout point, it's the longer-term chart we find intriguing. The stock broke out of a multiyear base back in 2020 and more than doubled by mid-2021. It since has been consolidating, but now looks poised to extend the overall uptrend.

Speaking of Tesla, much like the FANG stocks our take depends on your perspective. Tesla is below the 50-day, so from that perspective we would take a pass, at least for now. The same can be said of Amazon (3093) which, despite the big rally, has seen fit to stop just below its own 50-day. To look at Tesla on a monthly chart, each bar one month, it's close to the support of the last base/consolidation around 800, and it all looks to be another consolidation in the uptrend. Amazon, on a long-term chart, appears to have broken below its own consolidation or base, and only has rallied back to it – a time will tell pattern. We're always inclined to give the overall trend the benefit of the doubt, and the gap higher was impressive. The real point is that for these stocks especially, perspective seems important. If you're a long-term investor, the long-term pictures should be where you're looking.

A recent Bank of America survey of global fund managers showed their greatest worry was that central banks would go too far. Their second greatest worry was they would not go far enough. Contrary thinkers should take heart– they just might get it right? In this case contrary thinking goes against most of the fed's history, and also the recently released minutes. They show the risk of inflation tilted to the upside, and seem more prepared to hike too much than too little. That should make for a tough environment for stocks, though the market's reaction to the minutes on Wednesday was surprisingly positive. Key in all of this, of course, is inflation, and positive action in commodity stocks is everywhere, even Coal. Speaking of contrary opinion, Coal is so out of favor they killed the ETF for lack of interest. There is still one for Steel (SLX-57) and Copper, (COPX-41) which seems particularly positive. And so Gold, finally, and as always Oil.

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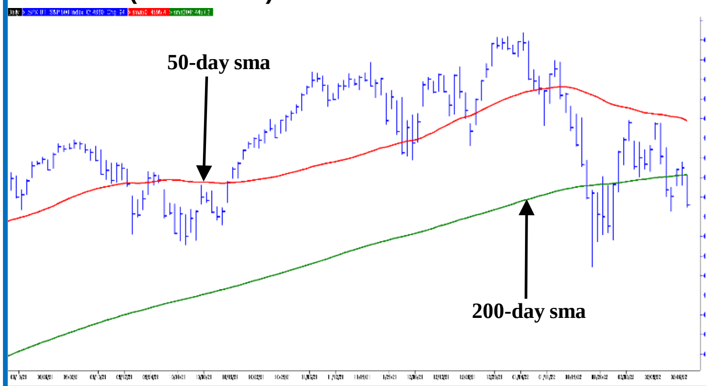
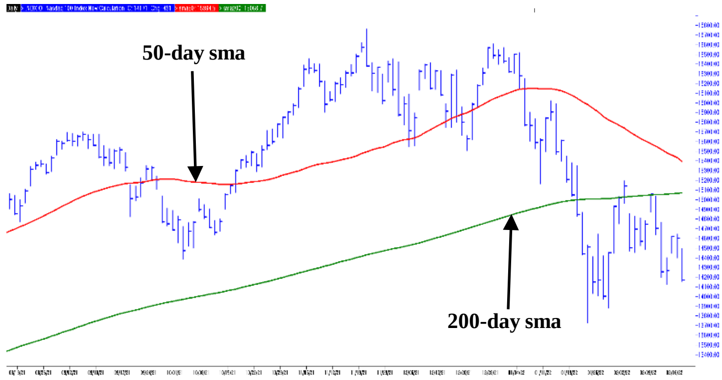
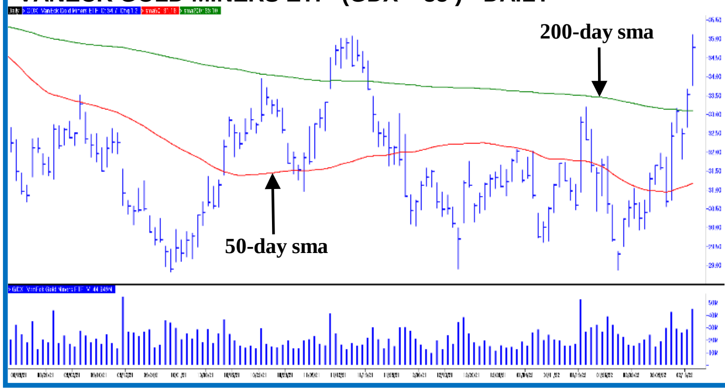
S&P 500 (SPX – 4380) – DAILY



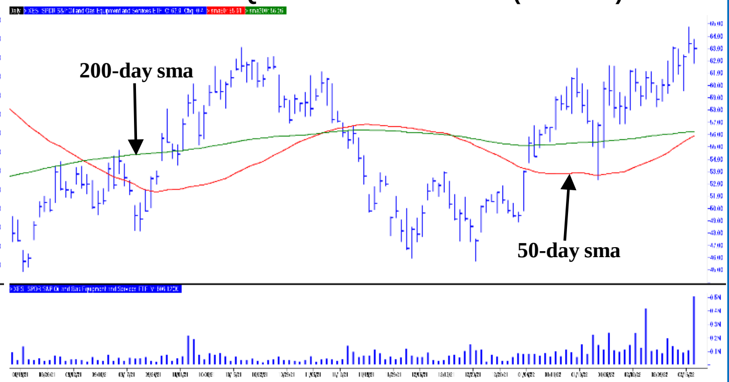
NASDAQ 100 (NDX – 14172) – DAILY



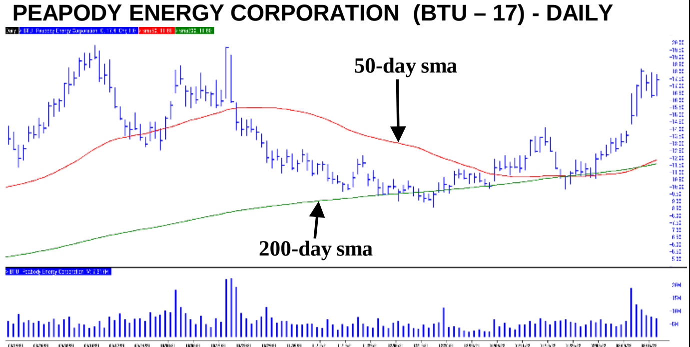
VANECK GOLD MINERS ETF (GDX – 35) - DAILY



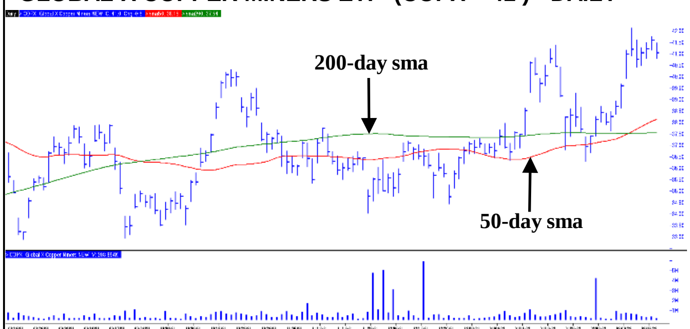
SPDR S&P OIL GAS EQUIPMENT & SVCS ETF (XES – 63) - DAILY



PEAPODY ENERGY CORPORATION (BTU – 17) - DAILY



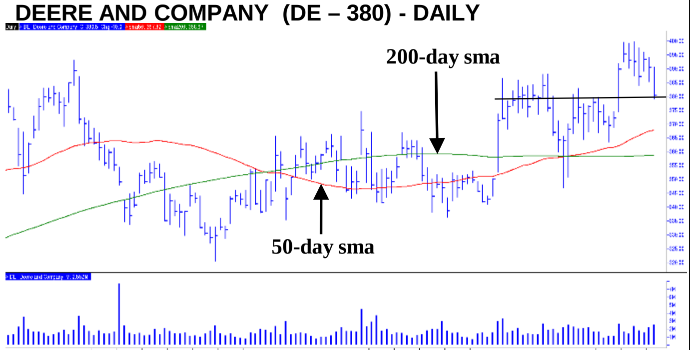
GLOBAL X COPPER MINERS ETF (COPX – 41) - DAILY



AMAZON.COM INCORPORATED (AMZN – 3093) - MONTHLY

TESLA INC. (TSLA – 876) - MONTHLY

DEERE AND COMPANY (DE – 380) - DAILY



DEERE AND COMPANY (DE – 380) - MONTHLY