Wellington Shields

EQUITIES PERSPECTIVE

March 18, 2022
DJIA: 34,480

Down 20%… mea Coupa. Coupa Software (82) shares fell 20% Thursday after the company gave guidance that was below analysts' estimates. The company said it was looking for first quarter revenue of $189 - $191 million, while analysts were looking for $191.4 million – quite the miss? Our favorite part in these things is Key Bank cut its price target for the shares to $125 from $175, once again, opinions follow price. To look at the chart, we would simply say welcome to the world of Tech over the last year. Granted Coupa may not be a household name, so try AMD (112) or Nvidia (248), both down some 40% from their highs. Tech is making the S&P look good this year, and the S&P is making commodity/value look even better. For Tech, days like Tuesday and Wednesday make hope spring eternal. Meanwhile, the best one day rallies are found in bear markets.

So the market has held the January lows, but there's a bit more to it than just that. Measures like stocks above their 50-day and 200-day averages, and the level of 12-month new lows held well above their own January lows. Divergences can be positive as well as negative, and in this case signaled diminished selling pressure into the decline. Add to that a market stretched to the downside, oversold as they say, and sentiment of doom and gloom, and you have the ingredients for a rally. We doubt this is more than another bounce in the downtrend, but we will concede the numbers haven't been bad – 4-to-1 up days like Wednesday always get our attention. Had we seen strength in the averages along with flat A/Ds that would have been a real warning, and would caution in markets like this the numbers could change quickly.

Bubbles are hard to recognize when you're in them. When over, they're embarrassing to recognize. Here in this happy place called retrospect, it seems clear we've had a few, most of which indeed are past tense. That's not certain when it comes to bitcoin, though using Marathon Digital (27) as a guide, the move from 85 to 25 suggests it could be. Because of its relative obscurity, one of our favorite bubbles was that of the electric vehicle makers. We're not talking Tesla (872) here, we're thinking of Lordstown Motors (3), 31 to 3, Fisker (12), 31 to 10, or Canoo (6), 25 to 5. Another favorite would be the SPACS. Give money to someone to buy an unknown something and hope for the best. What could go wrong there? The Next Generation SPAC ETF (SPAK-17) has gone from 35 to 16, while an individual name like Skillz (3) has dropped from 46 to 3. And let's not forget those Meme stocks. If the measure of bear market risk has to do with the speculation that preceded it, we would suggest there's still considerable risk out there.

Sometimes you have to ask yourself, do you want to be cool, or do you want to make money? We doubt many are comfortable bellying up to the local bar bragging about the utility stocks they own. And maybe that says it all. If you look at the XLU (71) chart on the other side, the SPDR Utilities ETF, you might mistake it for a Tech or, these days, an oil stock. Speaking of oil stocks, if you want an investment strategy that has worked pretty well over the years, follow the nice people at Dow Jones and Co. or, should we say, fade those nice people. They added Salesforce.com (210) to the Dow, now down about 35% from its peak, and deleted Exxon (79), recently up some 38%. It's not the fault of the keepers of the Dow, they're only human, and human nature typically dictates that you go with what is working at the time. Another reason to worry about Tech, and another reason to think of utilities.

The news from the Fed could not have been much worse – seven hikes! Rather than selling on the news, Wednesday saw buying on the news. It seems more that the much anticipated news was discounted, as they say. When the market was in its uptrend and the Fed compliant, the cry was don't fight the Fed. We suspect that still could be sage advice, especially as quantitative easing turns to quantitative tightening. Meanwhile, peace scares have played a bit of havoc with the commodities trade, that and the idea most of the stocks had become a little stretched. The uptrends remain intact. Particularly given the strength in oil, it has been surprising the solar stocks haven't acted better. As measured by the Solar ETF (TAN-75), the stocks are down some 25% from their highs. To look at the ETF, however, there is the suggestion that things may be changing. The downtrend has been broken and most of the stocks are above their 50-day.

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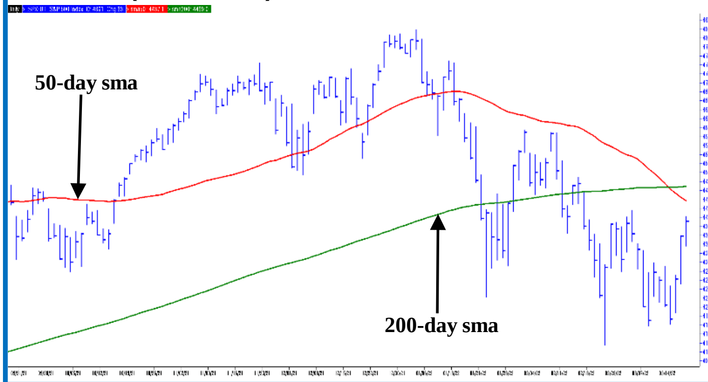
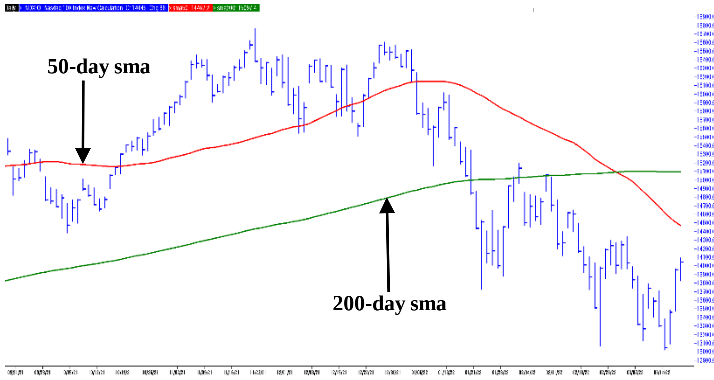
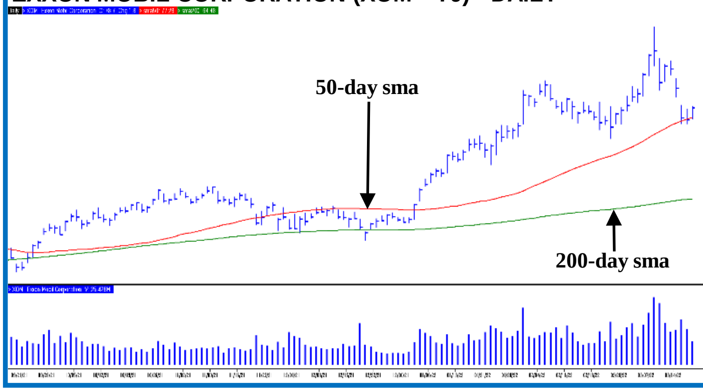
S&P 500 (SPX – 4411) – DAILY



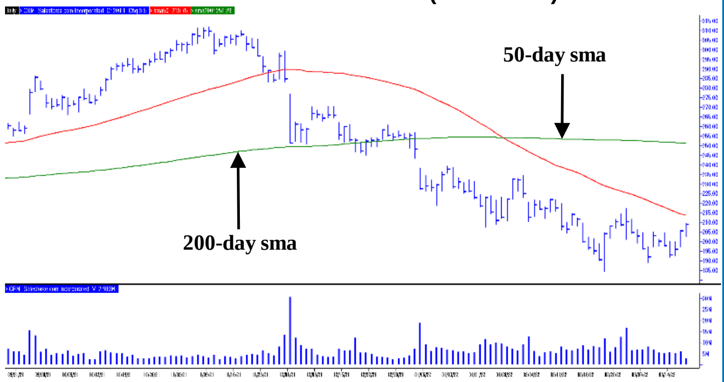
NASDAQ 100 (NDX – 14118) – DAILY



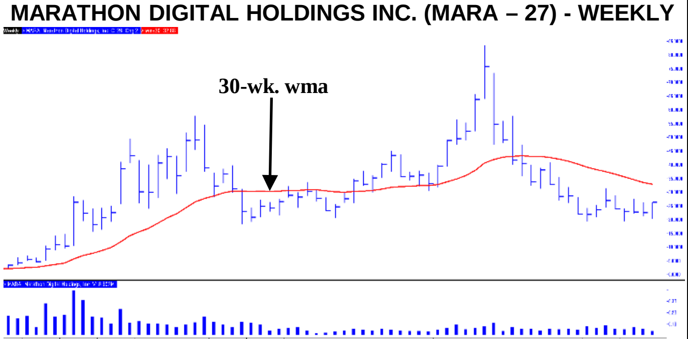
EXXON MOBIL CORPORATION (XOM – 79) - DAILY



SALESFORCE.COM INCORPORATED (CRM – 210) - DAILY

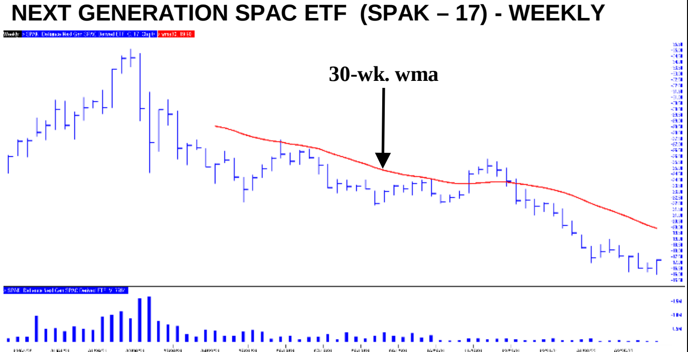


MARATHON DIGITAL HOLDINGS INC. (MARA – 27) - WEEKLY

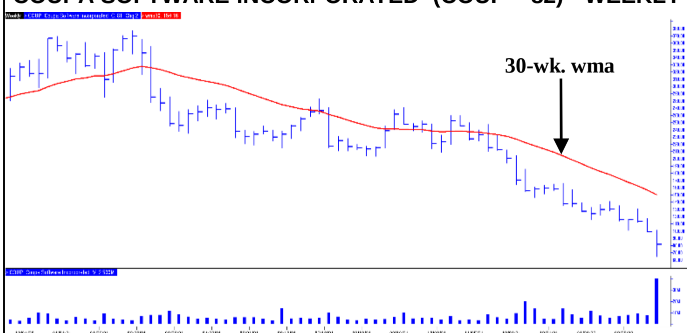


LORDSTOWN MOTORS CORP. (RIDE – 3) - WEEKLY

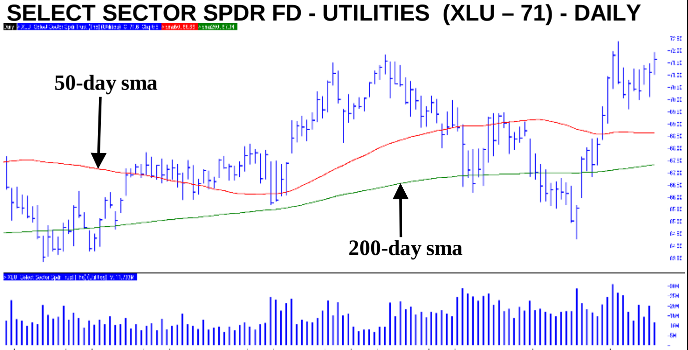
NEXT GENERATION SPAC ETF (SPAK – 17) - WEEKLY



COUPA SOFTWARE INCORPORATED (COUP – 82) - WEEKLY



SELECT SECTOR SPDR FD - UTILITIES (XLU – 71) - DAILY



INVESCO SOLAR ETF (TAN – 75) - DAILY