Wellington Shields

EQUITIES PERSPECTIVE

March 25, 2022
DJIA: 34,707

It's a rally in a bear market… but we'll pretend to be open minded. A bear market is being defined these days as a decline in the S&P of 20%. That strikes us more like a definition for a bear market's end. Down 20%, now you tell me it's a bear market? And down only 8% or so in the S&P, this isn't a bear market – tell that to the third of NASDAQ stocks down more than 50%. If you're looking only at the market averages, you are looking at the wrong thing. And in bear markets looking at the averages is dangerous. Seeing the S&P down only 8% or so, there's hope for all those losers you hold, hope the averages will drag them up. It doesn't work that way. Eventually the weak drag down the strong, leaving you there with hope and a lot less money. When it comes to definitions, our favorite for a bear market – it's when they sell my stocks. So maybe it's not a bear market, they're not selling those commodity stocks.

Last week's rally was impressive. It was, however, pretty much a rally in those stocks beaten the most, that is, Tech. We argued that in markets like this, where the weak get overdone on the down side, down the most turns to up the most. That we've certainly seen. When this happens it typically becomes either/or, in that what had been acting well falls from the forefront. And Oil and Gold and the other commodities did pull back a bit – but not much. If you look at the Metals and Mining ETF (XME-63), a veritable smorgasbord of commodities, it's right back to new highs. In terms of leadership, that pretty much says it all. Though admittedly it could still be early. You can't say the same of even the best of Tech.

If there was a misunderstanding of Powell's comments last week, that wasn't the case this week – rates are going up. The market went completely unscathed last week and has done pretty much the same this week. And, in our gesture to being open minded, maybe the market has gotten it right. Powell went to some length to counter the point that the central bank cannot hike rates enough to dampen inflation without causing a recession. And, indeed, there are "soft landings" where rate hikes did not cause recessions. The stock market, however, seems another matter. Higher bond yields tend to be bad news for stocks as they make high stock valuations hard to justify. More than rates, the eventual move to QT from QE could be what really does things in, so to speak. We just keep coming back to the tired but wise old saying, don't fight the Fed.

Let's say you're walking down the street doing your oligarchy thing and bam, your money is frozen. You're probably wishing you had a little of that crypto stuff. We hadn't looked at bitcoin, the only crypto we follow, in some time. We hadn't paid much attention because stocks like Marathon Digital (30) and Riot Blockchain (22) have been in downtrends since late last year. Maybe it's just coincidental with confiscation worries, but over the last few weeks these stocks have acted much better. Of course Gold has acted well and indeed, so too have most commodities. A stock like Archer Daniels (90) is trading at an all-time high, little wonder we suppose when you look at the ETFs for Corn (CORN-27)) and wheat (WEAT-10). After all the volatility in late February, Deere (432) now seems out of its nearly yearlong consolidation.

There have been some impressive aspects to the recovery, and we're not just pretending. When the market reversed a month or so ago, the day of the invasion, we expected a tradable rally, maybe back to the 50-day in the averages. We've done that and more in some cases. But it's not what the market has done, it's how it has done it. Last week saw back to back 4-to-1 up days in NYSE A/D numbers. Sure Wednesday was a bad Dow day, but not for the average stock – more than 1400 stocks advanced. We haven't seen the kind of weak rally, up in the averages and poor A/Ds we admit to having expected. On the NASDAQ we've seen four consecutive 1% up days, very unusual and historically positive. Then there's the backdrop – VIX down, stocks up, despite the risk of nuclear war? Correcting the speculative bubble of the last few years likely means more than 8–10% correction, but for now there's likely more upside.

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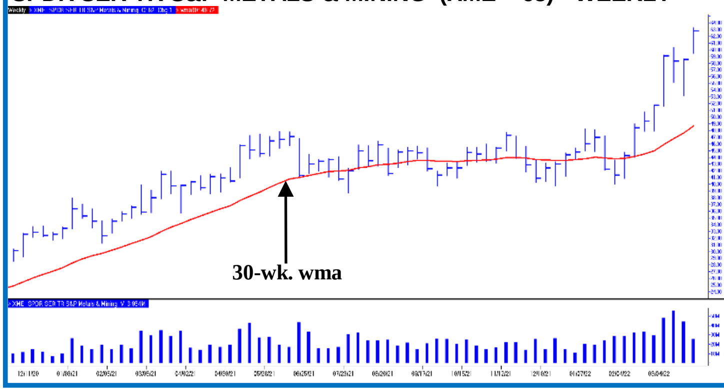
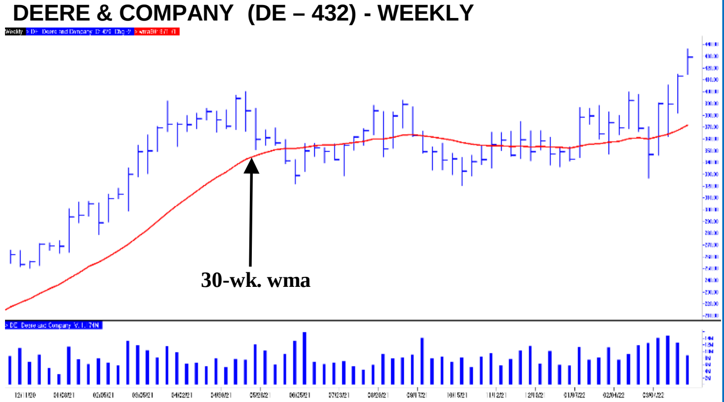
S&P 500 (SPX – 4520) – DAILY

NASDAQ 100 (NDX – 14765) – DAILY

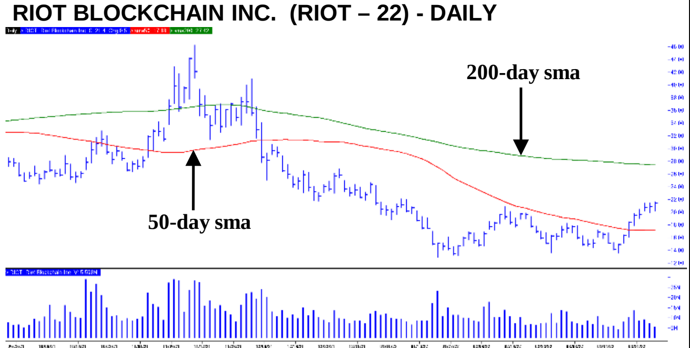
SPDR SER TR S&P METALS & MINING (XME – 63) - WEEKLY



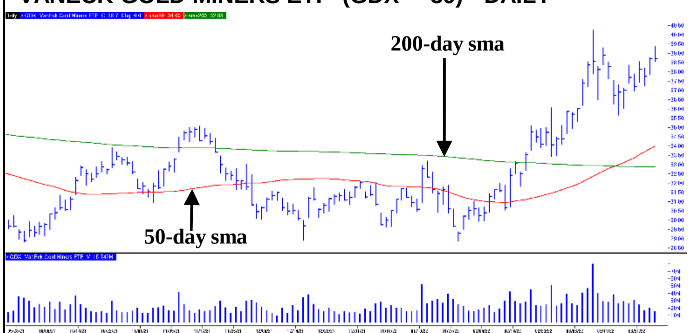
DEERE & COMPANY (DE – 432) - WEEKLY



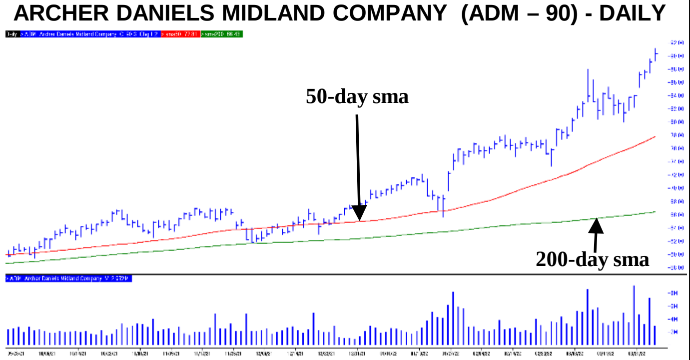
RIOT BLOCKCHAIN INC. (RIOT – 22) - DAILY



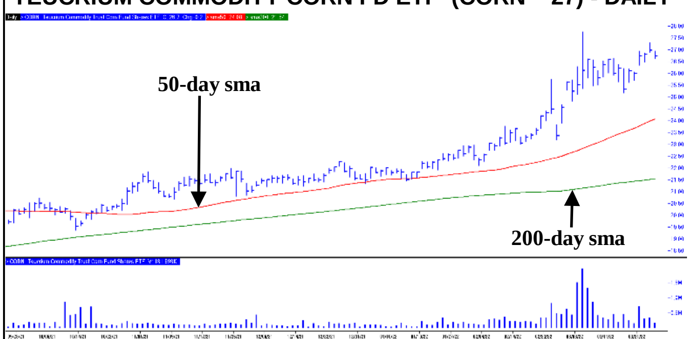
VANECK GOLD MINERS ETF (GDX – 39) - DAILY



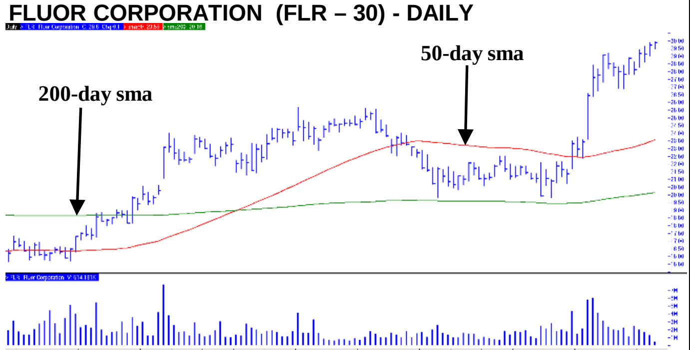
ARCHER DANIELS MIDLAND COMPANY (ADM – 90) - DAILY



TEUCRIUM COMMODITY CORN FD ETF (CORN – 27) - DAILY



FLUOR CORPORATION (FLR – 30) - DAILY



HALLIBURTON COMPANY HOLDING CO. (HAL – 38) - DAILY