Wellington Shields

EQUITIES PERSPECTIVE

March 4, 2022
DJIA: 33,794

Bad news so bad… it's good news. This seemed the case last Thursday, the news being the Ukraine invasion. With all due sympathy for those suffering, the news finally seemed to result in the washout a market like this has needed. As we've noted many times sellers, not buyers, make lows. It's bad news that provokes selling, not good news. When the sellers are out of the way, stocks can move up with relative ease, as they seem to do on Thursday. We doubt this is the start of a new bull market, and history suggests much the same. Those "reversal days" are real attention grabbers, but as we've come to say about the car we're driving – looks better than it runs. When the market is down 5% or more in a calendar week, and then closes above the previous week's close, in the next 2 to 8 weeks it has made a new low 12 of 13 times, according to SentimenTrader.com. We have a low and probably more rally, but not a new Bull market.

Sysco is the largest stock by market cap? Actually, that was Cisco Systems (56), and that was 22 years ago. Meanwhile Sysco Corp. (87), the distributor of food and related products to the food service industry, hit a new all-time high this week. As they say, things change. It's a bit ironic too, this food distribution company should be acting so much better than the food sellers, that is, most of the restaurants. It is, however, the kind of steady almost defensive sort of stock which, together with names like Coke (62) and Hershey (208), have done quite well this year. Overall, of course, commodity stocks rule. Oil is the most obvious and it's not just about the Ukraine. We pointed out in early January that when oil starts a year strongly, it goes on to lead. Gold finally has come around, copper, steel and aluminum have acted well for some time. Ag stocks are acting well – Archer Daniels (82) is making new all-time highs. Even coal stocks act well, and we're not even close to Christmas.

Those surging commodity prices have made stellar performers of the related stocks. This, in turn, has been beneficial to resource rich economies such as Brazil. And, as Barron's points out, the hostilities in the Ukraine have enhanced the outlook for price hikes in everything from oil to wheat and corn. Part of the appeal of Brazil and other emerging markets is that they have underperformed for so long, but that may be about to change. The McClellan Summation Index for Brazil has turned up, following this momentum indicator's long streak in negative territory. While some short term pullback is possible, since 1997 this configuration has produced a positive annualized return of 29%, again according to SentimenTrader.com. By contrast, when this indicator is negative returns were -2%. Aside from the country ETF (EWZ-35), a couple obvious beneficiaries here are Vale (20) and Petrobras (15). Normally the latter's 14% yield would be enough to scare us away, but it just might be safe, at least as safe as anything can be in Brazil.

Has comfort gone out of style? Purple Innovation (7) is a name you might not know. The company designs and manufactures a range of branded comfort products, including mattresses, pillows, cushions, sheets and other products. Since March of last year the stock hasn't exactly been comforting, falling from around 40. What we find fascinating here is that a brokerage firm has cut its price target to16 from 22 – mind you, the stock was 5. At least they maintained their overweight rating. Sure Purple Innovation isn't exactly a household name, so let's look at Block (114), formerly Square. A few days ago the price target was cut to 175 from 275 –the stock is 115. The point here is that opinions follow price – opinions chase the price. And this is not just true of companies and it's not just true of price weakness. Those many who would not touch oil $20 lower now see reason for it to move higher. When Goldman starts calling for 150 - 200, as they did back in the summer of 2008, time to really worry.

At the end of last week the market looked ready to rip higher. After the initial shock of Russia's invasion, the S&P rallied more than 6% in two days. Things, especially Tech things, had gotten stretched and, as is typical, down the most turns to up the most as the spring uncoils. Although not a new Bull market, there should be more recovery. We would look to the 50-day as a guide, both for the market, 4530 for the S&P, and for most of the rebounding Tech stocks. As always, the Advance-Decline numbers will be important. They have been almost surprisingly positive, but in a market like this they can change quickly. Just a few days up in the averages with flat, let alone negative A/Ds would be a real warning.

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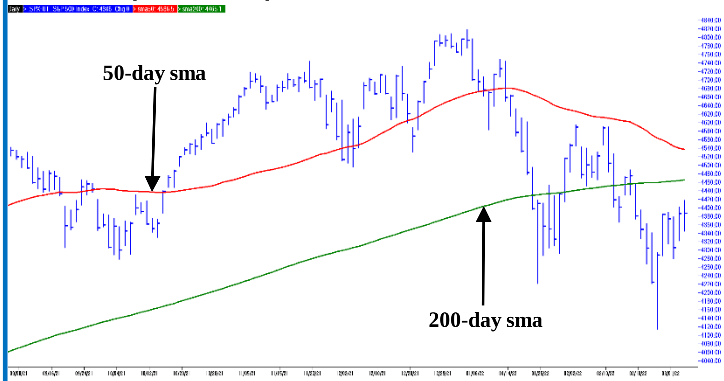
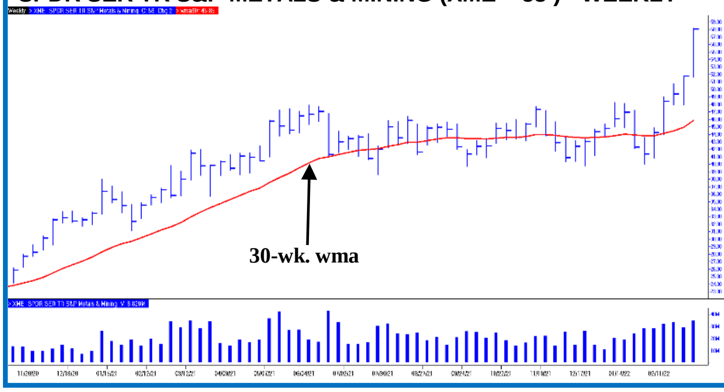
S&P 500 (SPX – 4360) – DAILY

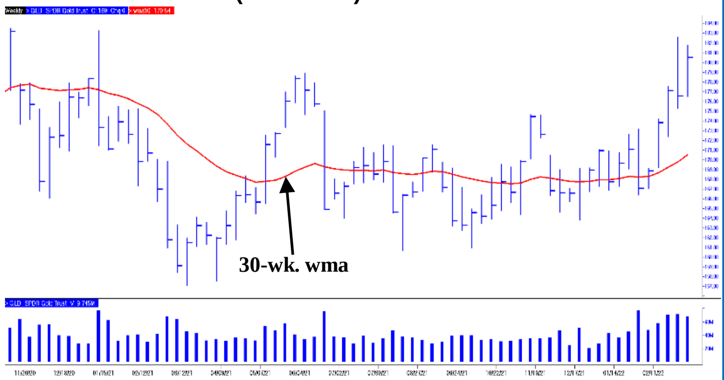


NASDAQ 100 (NDX – 14035) – DAILY

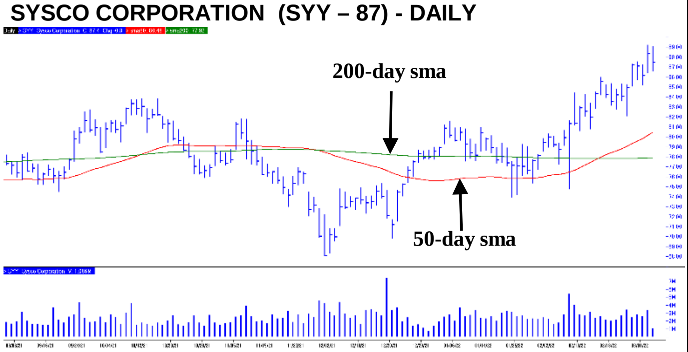
SPDR SER TR S&P METALS & MINING (XME – 58) - WEEKLY



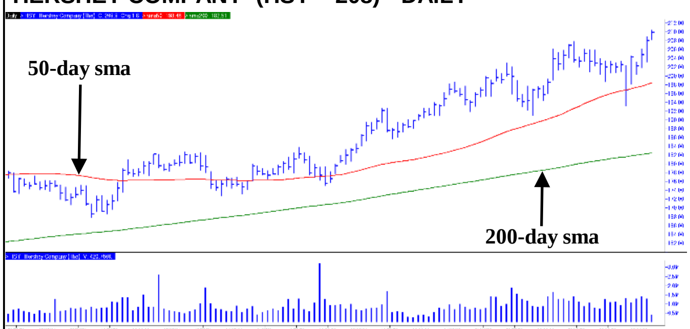
SPDR GOLD TRUST (GLD – 181) - WEEKLY



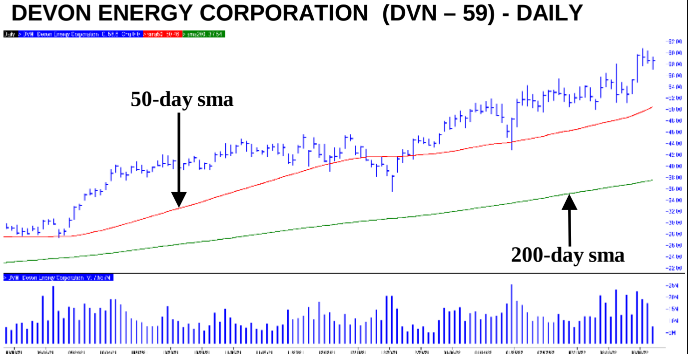
SYSCO CORPORATION (SYY – 87) - DAILY



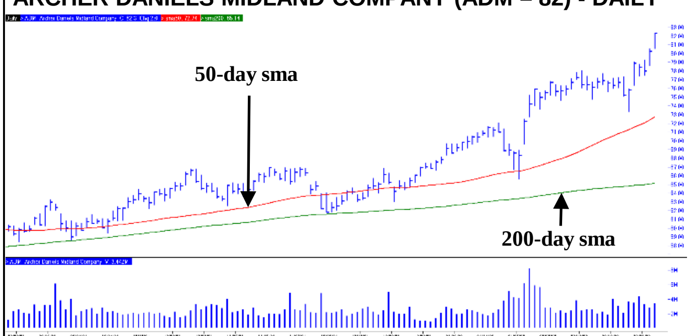
HERSHEY COMPANY (HSY – 208) - DAILY



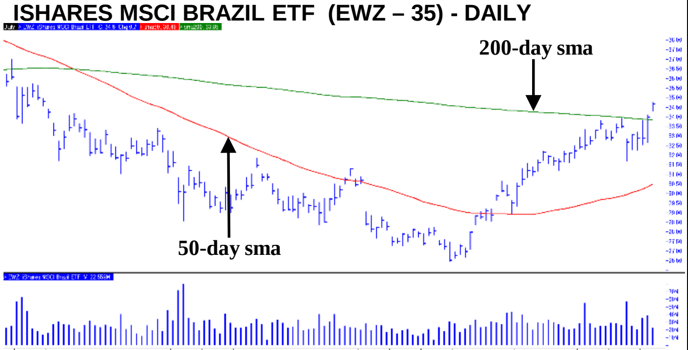
DEVON ENERGY CORPORATION (DVN – 59) - DAILY



ARCHER DANIELS MIDLAND COMPANY (ADM – 82) - DAILY



ISHARES MSCI BRAZIL ETF (EWZ – 35) - DAILY



PETROLEO BRASILEIRO SA PETROBAS (PBR – 15) - DAILY