

He's behind the curve ... but not for long. They berated poor Powell for being late to deal with inflation and rising market rates. Then as he seemed to favor the idea of bigger rate hikes in a speech last Thursday, the Dow fell close to 1000 points the next day. Is it be careful what you wish for, or for the stock market does bad news only matter when the market says it does. Sure it was just a day, but a different day. If rates suddenly matter, can't wait for the day QE turns to QT, long our bigger concern. In a way we almost find more worrisome last week's reversal in the commodity stocks. Sure it was related to China's problems, but it seems more a matter of the market making the news or, in this case, not looking beyond the news. Commodity stocks have been the market's leadership, and when the market leaders stop leading it's not a good sign.

The market opened higher both Wednesday and Thursday on the numbers from Microsoft (290) and the beleaguered Meta (206). We briefly thought we had missed the cease-fire in Ukraine, news inflation is under control, and the Fed won't raise rates, the things that matter. Markets rally, even bear markets. However, bear markets don't end on good news. They end on bad news because it's bad news that begets selling and getting the sellers out-of-the-way is what ends bear markets. Recall the day of the invasion back on February 24. After a consistent two weeks of decline, the Dow was down more than 800 points before reversing to close higher. Sellers not buyers make lows, so we particularly don't like to see up openings. Regardless of whether the market is sold out, you can argue Tech especially is due for a bounce. Both Microsoft and Meta have rallied back to but not quite through their respective 50-day averages. These seem key points.

Together with most commodities, Gold reversed last week and the Gold Miners ETF (GDX-35) dropped below its 50-day average. The metal itself had made a run at \$2000, a level above which it has closed only once, back in August 2020. The recent weakness makes it easy to dismiss this latest run as just another in a series of such moves over the years. When most think of Gold they think of inflation and there's plenty of that. Gold, however, can be a hedge against many things, just ask your local oligarch. Back in 1929, a period of deflation, a 10% holding in Homestake Mining would have hedged the rest of your portfolio. Gold coin sales rose about 48% in 2021 from a year earlier, data from the US mint show, while purchases of gold ETFs hit a record last month, according to a recent Barron's piece. Technically speaking, the miners have gone from fewer than 10% above their 200-day average to more than 90%. Similar cycles over the past 40 years have led to medium to long-term outperformance, according to SentimenTrader.com.

Aerospace/Defense stocks seem a good hedge, perhaps not so much for what's happening now, as for what may come to pass in terms of an escalation – Nuclear/Bio. As for what is going on now, we wonder. The logic is simple enough – war, missiles, these stocks makes sense. The problem is, who hasn't thought of that? The charts here are good enough, so perhaps we shouldn't go looking for trouble. Still, we always hesitate when it comes to easy trades, and against the war backdrop, buying Aerospace/Defense stocks has to be up there when it comes to easy trades. There was a time not all that long ago it was easier to buy Twitter (49) than to buy Tesla (878), and we all know how that worked out. We also recall losing money in Aerospace/Defense after 9/11 when the stocks initially rallied, and then went dormant, to put it mildly. It gets back to our basic belief that when it comes to the stock market, what we all know isn't worth knowing.

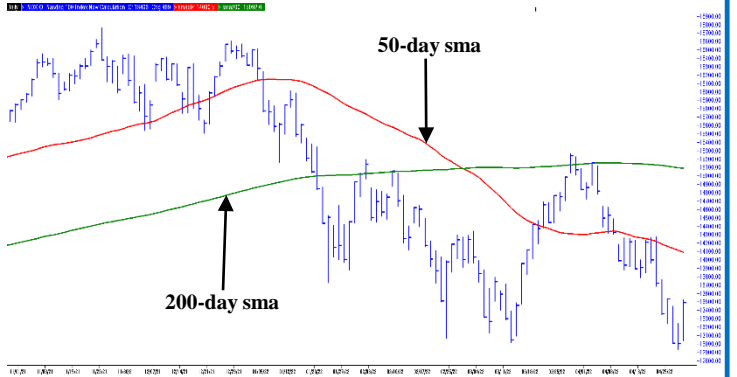
It's one thing to talk about getting the selling out of the way, how do you actually know when the selling is out of the way? One measure is what they call 90% down days. These are days when 90% of the volume is in stocks down on the day. Until last week we had gone more than 350 days without one. The catch is there is usually more than one of these days before a low, and you need a similar day to the upside to confirm the low. The theory here is if stocks are sold out, they should move up easily. Another way to view stocks as being sold out is when extremely few are in uptrends. On the NASDAQ the other day only 14% of stocks were above their 10-day average. Unfortunately there are no magic numbers here and stocks above their 50 and 200-day averages still have room to the downside. Of course, this doesn't rule out interim rallies, though they're likely rallies to sell. Meanwhile, did Teladoc (33) split 10-for-1? Stay away from stay-at-home.

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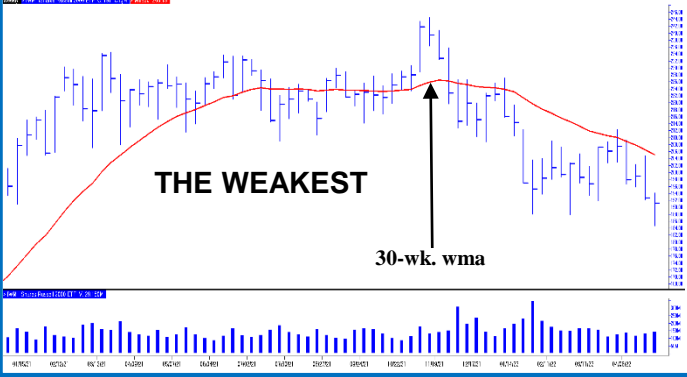
S&P 500 (SPX - 4280) - DAILY



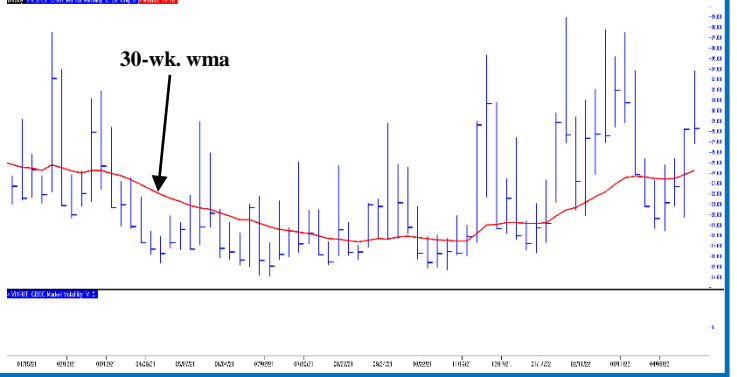
NASDAQ 100 (NDX - 13456) - DAILY



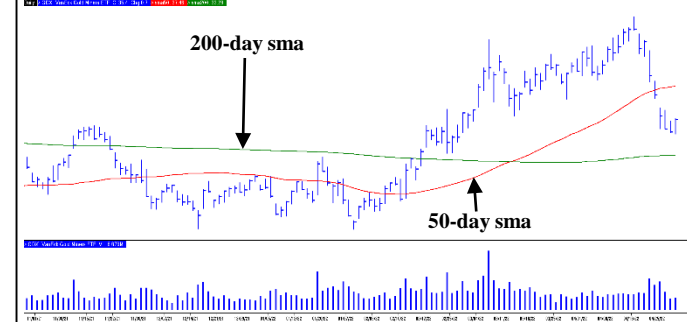
ISHARES RUSSELL 2000 ETF (IWM - 190) - WEEKLY



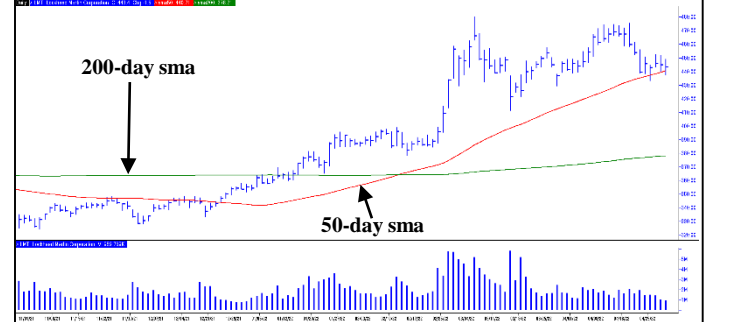
CBOE MARKET VOLATILITY (VIX - 29) - WEEKLY



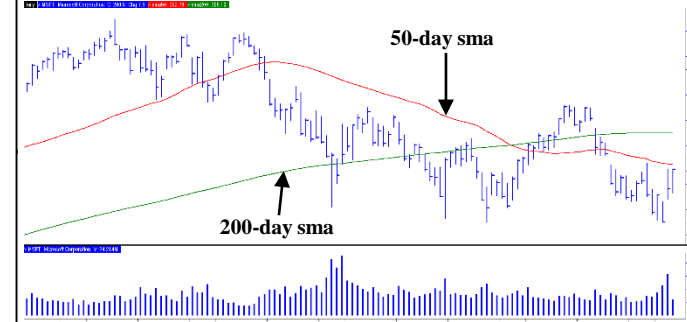
VANECK GOLD MINERS ETF (GDX - 35) - DAILY



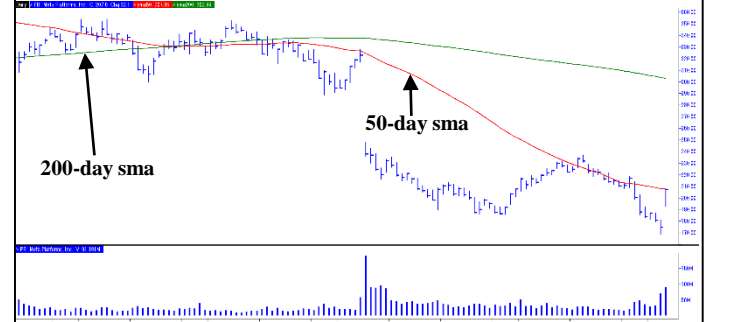
LOCKHEED MARTIN CORP. (LMT - 442) - DAILY



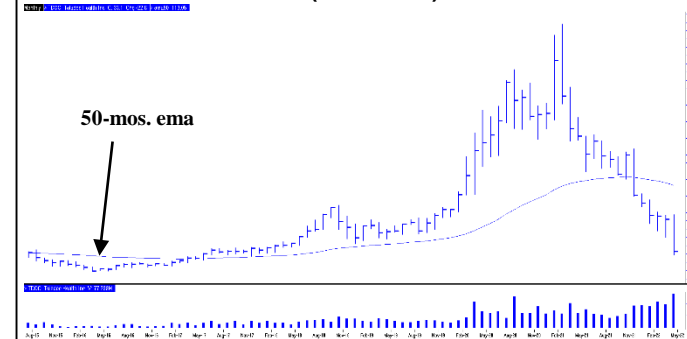
MICROSOFT CORPORATION (MSFT - 290) - DAILY



META PLATFORMS INC. (FB - 206) - DAILY



TELADOC HEALTH INC. (TDOC - 33) - MONTHLY



CHURCH & DWIGHT INC. (CHD - 100) - MONTHLY

