Wellington Shields

EQUITIES PERSPECTIVE

April 8, 2022
DJIA: 34,584

Elon Musk a passive investor … and do you wanna buy a bridge? Can't wait to hit that edit button. His 9% position in Twitter, the ultimate tweet of sorts, helped the NDX by 2% on Monday, rendering new hope for the forgotten, downtrodden, etc., that is, beaten up Tech. Not quite the same as landing a rocket on a dime, but impressive. And the other company, Tesla is it, isn't doing so badly as well. Names like Tesla (1057), Amazon (3153) and Google (2717) pretty much all peaked late last year. After their hibernation, the irony might be they come back to outperform in a poor market, not exactly what most would expect. That said, we still see what we're calling the commodity stocks the likely ongoing leadership. Exacerbated by the war, commodities across a broad range are in short supply. The stocks themselves have another edge, they're in short supply, that is, they're under owned. News of Russian coal sent those stocks higher Tuesday, while not that long ago the Coal ETF was dissolved for lack of interest.

You say either we say ither. The debate eternal always seems to be between growth and value. You might also debate just what is a value stock and what is a growth stock. The good people at Invesco have done this for us with the Pure Value ETF (RPV-85) and the Pure Growth ETF (RPG-180). As it happens we don't particularly agree with either list, but at least here is something objective and from a credible source. To look at the charts, clearly value is kicking growth, and we suspect it will continue to do so. Our idea of growth is a bit more techie, and our idea of value is a bit more about commodities. We should add some defensive names like Hershey (223) and Church & Dwight (103) act well. If you compare the Tech Software ETF (IGV-336) with the Metals and Mining ETF (XME-60) the picture is the same, though the XME outperformance is more dramatic. Again, we expect this to continue.

We have long thought where the stock market tells its economic story is the Transports. Originally, and the theory behind the Dow Theory, both the industrials and the transports were supposed to tell the story. This, of course, was when the Industrials were industrials, hardly the case these days. Granted the "Transports" aren't exactly the rails of old, they still pretty much get the stuff around. Looking at the Transports relative to the S&P, last Friday's weakness was the seventh worst day against the broader market since 1928. When looking at other occurrences, this kind of move was associated with the most traumatic episodes in US market and economic history, according to Bloomberg strategist Cameron Crise. While last Friday's otherwise up day didn't seem that traumatic, the trauma may be yet to come. Meanwhile, as a proxy for economic activity in the US, the weakness in the transports is of some concern.

They say the consumer is in good shape. That's not exactly what those consumer sentiment surveys say. They're worried how high prices are going, and everywhere. Even demand for products which target a more affluent consumer recently has fallen. It's a mystery what keeps home prices so high when you look at those homebuilder charts and associated names like Home Depot (303). Wage increases, while enough to pressure businesses and keep pressure on the Fed, aren't enough for consumers to keep up with inflation that is running close to 8%. A report also shows real, or inflation adjusted disposable personal income per capita fell for the seventh straight month as rising prices outpaced employment and wage gains. And they say we're not even in a recession, though based on those consumer sentiment numbers, we would contend we are. And while there are "soft landings," there are none we know of when inflation was above 5%.

We've seen this recovery as a rally in a downtrend, a rally in a bear market. We also see this rally, technically speaking, as better than we might have expected. Then, too, bear market rallies usually make you wonder. As often happens in these recoveries, things change quickly as was the case this week, going to a 4-to-1 down day Wednesday versus a 4-to-1 up day last Tuesday. There were no divergences going into this weakness, weak up days, for example, so that may be yet to come. Or this time was that hit to the Transports the warning. Where would we be without Lael Brainard to tell us rates are going higher? Though, the mention of QT might have been the real culprit. Whatever the case, the market lost something this week, and if a bear market rally that's particularly worrisome. Meanwhile, just say YES to drugs, those made by Lilly (309), Pfizer (55) and others part of the XLV (142) ETF.

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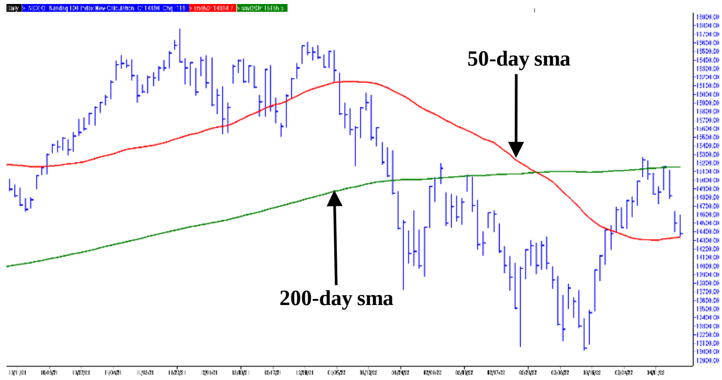
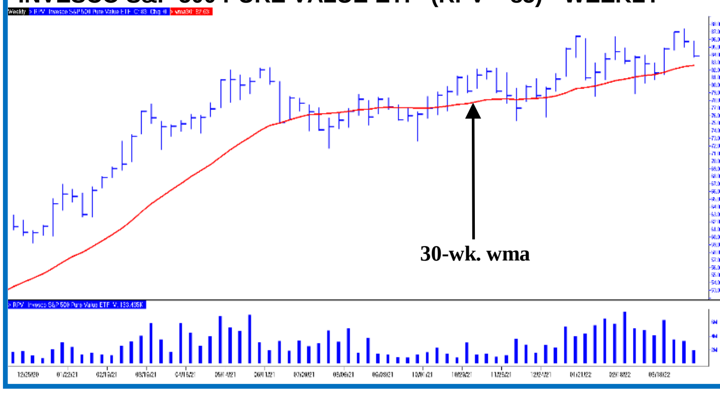
S&P 500 (SPX – 4517) – DAILY

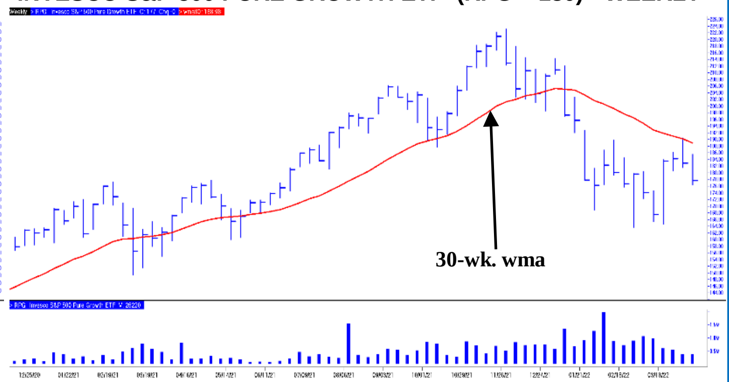
NASDAQ 100 (NDX – 14531) – DAILY



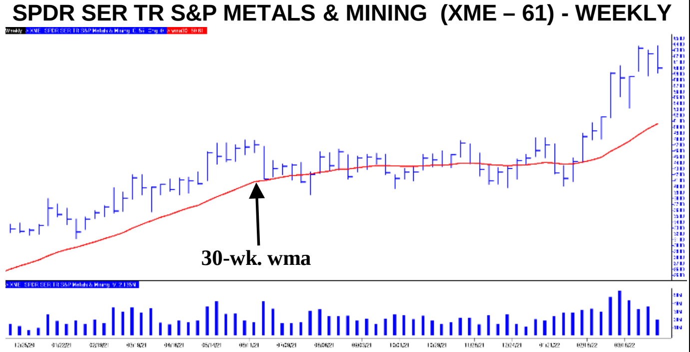
INVESCO S&P 500 PURE VALUE ETF (RPV – 85) - WEEKLY



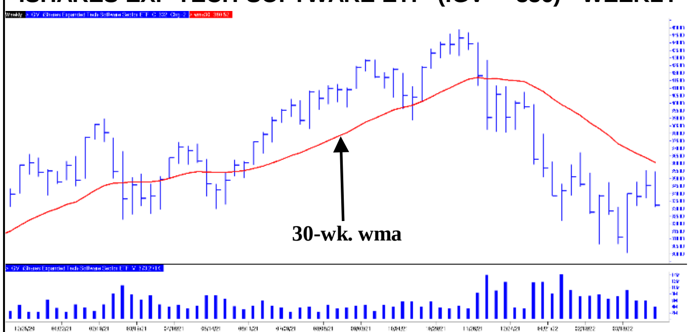
INVESCO S&P 500 PURE GROWTH ETF (RPG – 180) - WEEKLY



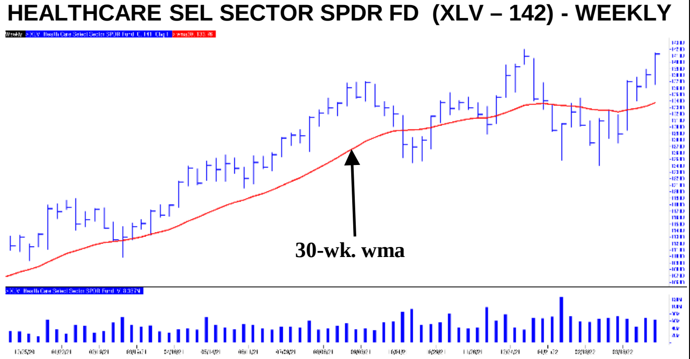
SPDR SER TR S&P METALS & MINING (XME – 61) - WEEKLY



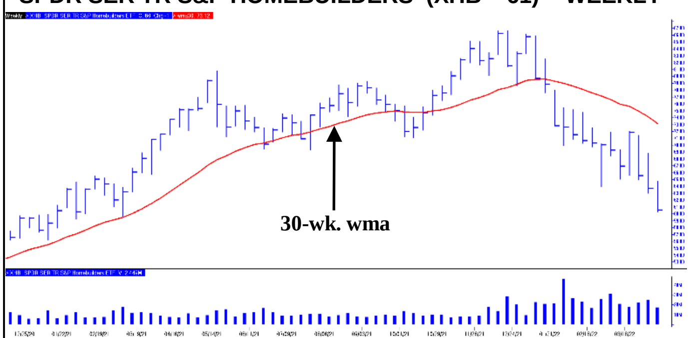
ISHARES EXP TECH-SOFTWARE ETF (IGV – 336) - WEEKLY



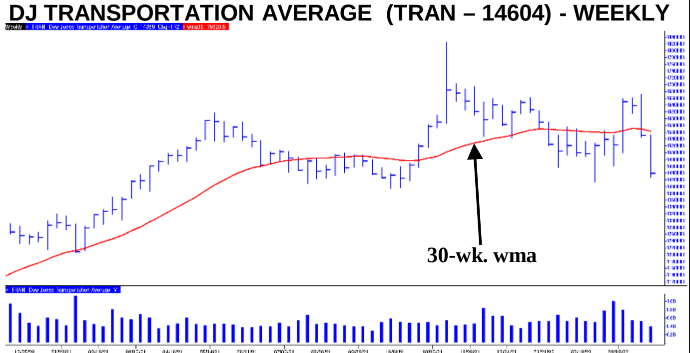
HEALTHCARE SEL SECTOR SPDR FD (XLV – 142) - WEEKLY



SPDR SER TR S&P HOMEBUILDERS (XHB – 61) – WEEKLY



DJ TRANSPORTATION AVERAGE (TRAN – 14604) - WEEKLY



CONSUMER STAPLES SEL SECTOR SPDR (XLP – 78)-WEEKLY