

EQUITIES PERSPECTIVE

June 17, 2022

DJIA: 29,927

Sometimes you get the bear... and you know the rest. The rest was last Thursday and Friday, and Monday as well – the kind of pattern typically indicative of a bear market. A few weeks ago 12-month New Lows showed a market that look to be washed out, and the pre-Memorial Day buying seemed to confirm that – but, apparently not. It was one of the fastest ever reversals of a 7% recovery, also indicative of a bear market. While the bear market seems alive and well, it doesn't necessarily mean we accelerate to the downside just now, at least if past patterns like this are any guide. Measures that address oversold levels aren't of much help in markets like this. However, the idea that only 1%, that's one %, of S&P stocks are above their 10-day average tells you prices are stretched. While bear markets will do what they do, they also don't necessarily go straight down.

At issue is whether this is another case where it's so bad it's good? More than 98% of volume was in declining stocks on Monday. Only 16 other days since 1962 saw such overwhelming selling, after which the S&P rose 14 times, according to SentimenTrader.com. The three day up volume dropped below 7% for only the second time in 60 years. To get to numbers like this takes some pretty bad news and not just inflation, which may have taken its toll last week. Monday it was crypto's turn, the last of the market's many bubbles to finally give it up. Whether crypto is fraud or real we don't much care. We do know the weakness has its impact, at least psychologically. Then, too, whatever it takes to get the selling out of the way is a good thing.

The market usually isn't slow to catch on, so to speak. Indeed, it typically discounts well ahead. Until recently, however, the market seemed to miss the likely problem for the home builders and ancillary businesses. It was almost as though the market was listening to homebuyers, and their clamor to buy. For sure the stocks are well off their highs but after several months, only this week have the shares moved to New Lows. Of course, this follows a 22-year low in mortgage applications, given rates that hardly seems a surprise. The builders, of course, have poor charts, but so too do shares of companies like Sherwin Williams (219). Meanwhile, when it comes to shares of Home Depot (273) and Lowe's (172) we're not quite sure if they're suffering along with the builders, or whether they are suffering from the stay-at-home hangover, but they're suffering.

When was the last time you thought about buying Oracle (69)? Looking at the chart, it's understandable. The stock was one of Thursday's best performers, up nearly 10% on a beat. It seems worth noting the stock held up that day, despite an otherwise volatile market. We are not here so much to praise Oracle – it's still a poor chart. It brings to mind, however, another large cap with little attention which does have an improved chart – IBM (136). As you cringe, we realize there have been more than a few false dawns here. But consider the price action especially relative to that of the market, and Tech. Speaking of Tech they were great when they were on our side, but not so much now. Stocks like Apple (130), Microsoft (245), Nvidia (156), seven altogether, have accounted for more than 40% of the points lost in the S&P since January. Maybe it's time for an IBM type of Tech.

So the Fed meets and there's something for everyone – something for everyone not to like. The attention grabbers wanted a full point, some more thoughtful believe inflation through natural forces will be peaking, and too much tightening runs its own risk. The Fed has a "dual mandate," but seems to have decided its sole task is to limit inflation. They admitted inflation is a problem, and seem prepared to raise rates to eliminate it even if it means higher unemployment. Yet Powell is good at managing expectations. The last eight FOMC decision days saw good gains on six and flat action the other two. Then, too, this is within the context of a 20% decline in the S&P. Rising rates are not good.

Frank D. Gretz

S&P 500 (SPX - 3667) - DAILY



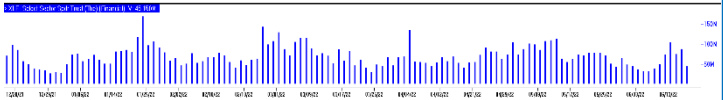
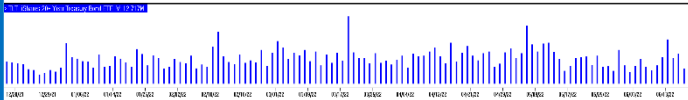
NASDAQ 100 (NDX - 11127) - DAILY



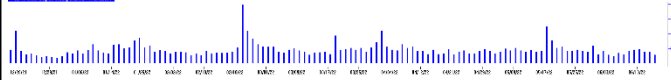
ISHARES 20+ YEAR TREASURY BOND ETF (TLT - 112) - DAILY



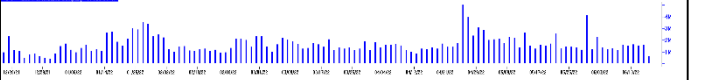
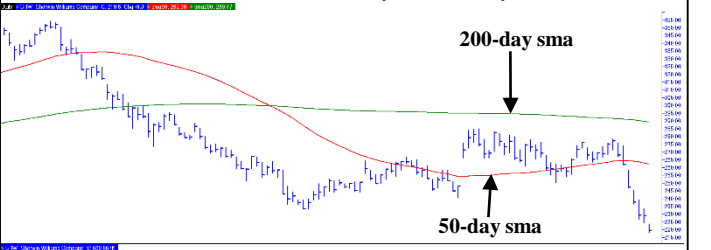
SELECT SECTOR SPDR TR - FINANCIAL (XLF - 31) - DAILY



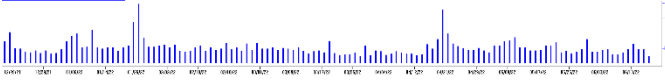
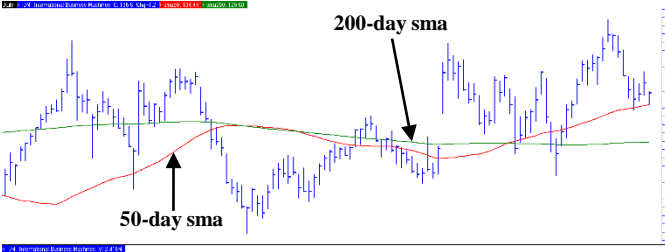
HOME DEPOT INCORPORATED (HD - 273) - DAILY



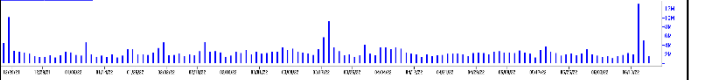
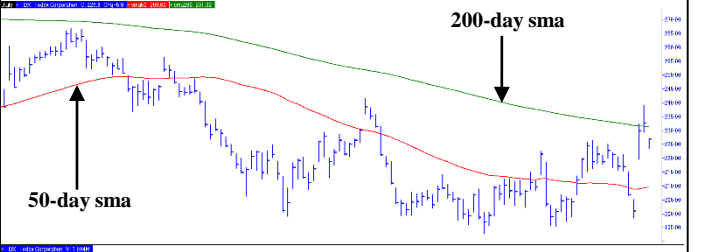
SHERWIN WILLIAMS COMPANY (SHW - 219) - DAILY



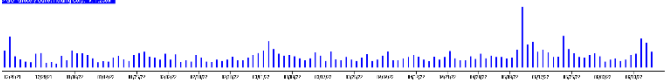
INTERNATIONAL BUSINESS MACHINES (IBM - 136) - DAILY



FEDEX CORPORATION (FDX - 225) - DAILY



GROCERY OUTLET HOLDING CORP. (GO - 40) - DAILY



SIERRA WIRELESS INCORPORATED (SWIR - 21) - DAILY

