

EQUITIES PERSPECTIVE

July 1, 2022
DJIA: 30,779

Oh Lord we beseech you... send now a 90% up volume day. The Psalm gets right to the point – “send now prosperity,” we’re going with the idea that’s where a 90% up volume day will lead. This up one day, even when up big, down the next isn’t getting it done. The numbers say most stocks have bottomed, but not going down isn’t the same as going up. With only one percent of stocks above their 10-day average recently, the backdrop would seem auspicious. Stocks above their 50-day average are around 2% versus 1.2% at the lows of March 2020 and December 2018. NYSE stocks above their 200-day reached 13%, a level from which prices were higher 12 months later almost every time. We are not anticipating an end to the overall bear market, more a summer vacation. Meanwhile, we need a couple of those show me the money days.

Prices are compressed, but there seems no consistent buying. Beneath the surface, however, there are some positive signs. Looking at stocks above their 50-day average, from the low of 2%, one of the lowest in 70 years, the number has move to above 20%. In recent years going from 2% to 20% has meant the end of important declines. Going back to 1950, of the 13 occurrences only one didn’t lead to higher returns a year later, according to SentimenTrader.com. So stocks not only have stopped going down, to some degree they’ve started to turn up. It often happens that many stocks bottom before the averages, just as they peak before the averages. So this part is encouraging. A perhaps more esoteric positive is the better performance of growth versus value, with the ratio of growth to value at a recent 30-day high. When growth out performs value it suggests a higher level of investor confidence. Again encouraging, but no substitute for that 90% up volume day.

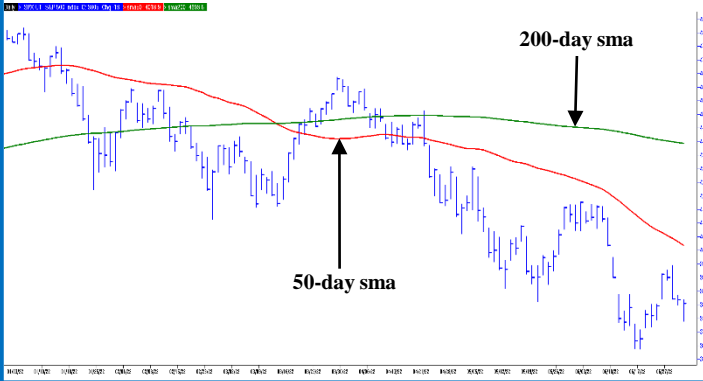
Nike (103) shares fell in Tuesday’s particular weak session, this after it reported what most judged to be strong earnings. Even taking into account a stronger dollar, global sales rose 3%. The problem was China, where sales fell 20% and the Company gave a downbeat forecast. Sales in the region made up 19% of revenue last year. One might think Covid-related lockdowns there are not forever, and the market might have given the stock a pass, but it’s a bear market and Tuesday was a bad day. Somewhat ironically, Chinese stocks have acted much better. Stocks there bottomed in March, tested the lows in May and most are at their best levels since February. A top executive at JD.com indicated Tech regulation is getting more “rational,” and charts like KWEB (32) show it. It will be interesting to see how quickly Nike might recover from the setback, particularly given what remains an excellent long term chart.

One of the best acting areas is big Pharma. Lilly (324) probably leads, but Bristol-Myers (77) which has frustrated everyone for, let us count the years, has come out of a multiyear base. They all pretty much now have good patterns, ironically better than the XLV ETF (128) which includes most of them. The XPH ETF (42) is a bit better here. Humana (468), the healthcare insurer, broke out this week, while United Health (514) has lagged but is above its 50-day. Both are in big long term uptrends. McKesson (326) is another potentially interesting chart, though it’s yet to break out of its three month base pattern which would occur around 340. It’s part of IBD’s wholesale drug and supply group, which ranks 14 among 197 groups. The stock rates above 90 on IBD’s EPS and relative strength ratings, and the Company has recorded a three year EPS growth rate of 22%.

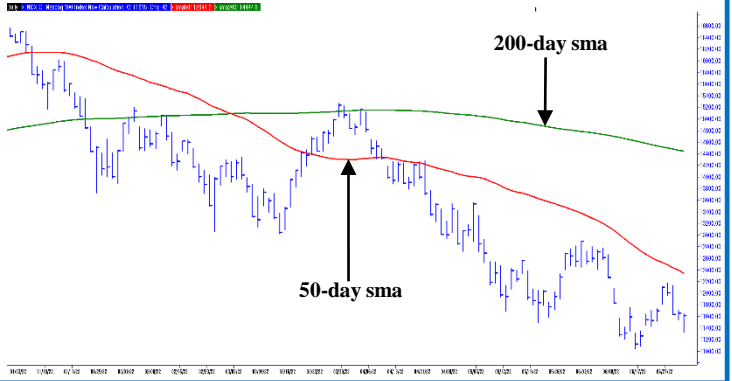
They say volatility occurs at tops and bottoms. Over the past five weeks the S&P has swung by 5% more than four times. That makes this the second most volatile period since 1928, according to SentimenTrader.com. Indeed, volatility is a hallmark of market lows, but it’s no 90% up volume day. We are looking for a summer rally and obviously that’s frustrating. We find ourselves trading our opinion, and that’s never good. Best to trade what you see and not what you want to see or think you see. The market for now is barely worth the effort, but just as you think that things often change. Meanwhile, keep thou beseeching, and just say yes to drugs.

Frank D. Gretz

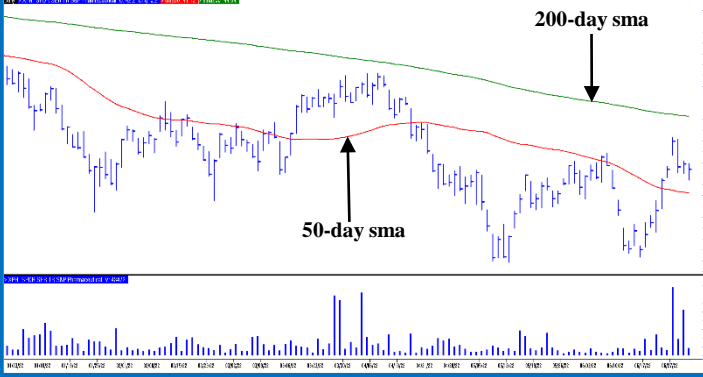
S&P 500 (SPX - 3787) - DAILY



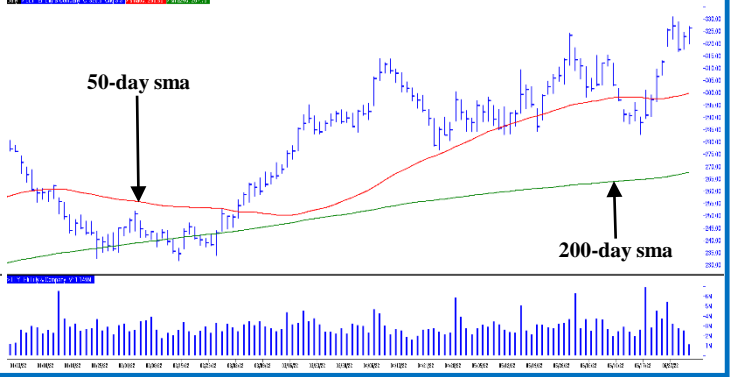
NASDAQ 100 (NDX - 11503) - DAILY



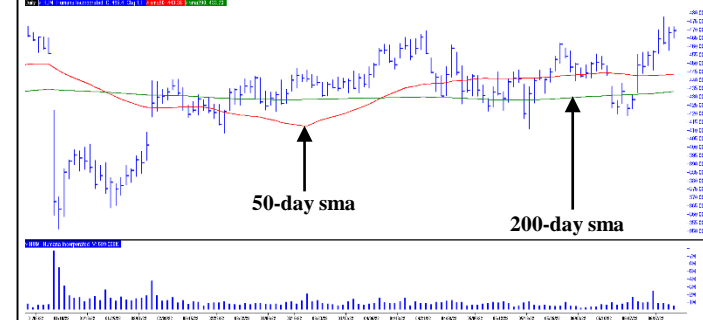
SPDR SER TR S&P PHARMACEUTICAL (XPH - 42) - DAILY



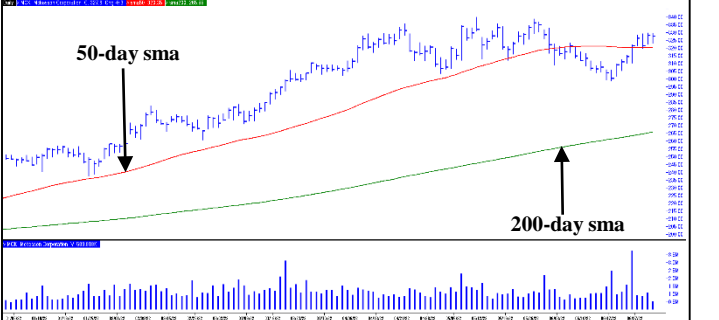
ELI LILLY & COMPANY (LLY - 324) - DAILY



HUMANA INCORPORATED (HUM - 468) - DAILY



MCKESSON CORPORATION (MCK - 326) - DAILY



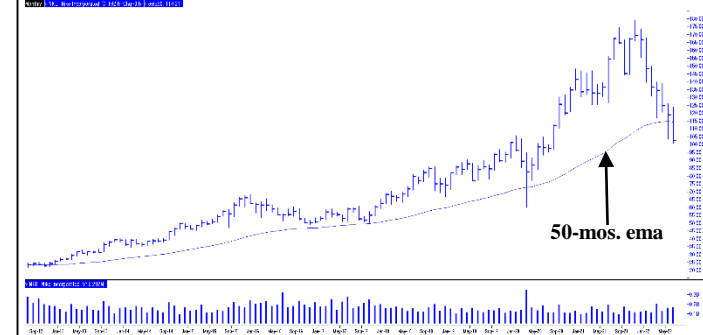
KRANE SHARES CSI CHINA INTERNET ETF (KWEB-33)-DAILY



ISHARES CHINA LARGE-CAP ETF (FXI - 34) - DAILY



NIKE INCORPORATED (NKE - 103) - MONTHLY



NIKE INCORPORATED (NKE - 103) - DAILY

