

EQUITIES PERSPECTIVE

July 29, 2022
DJIA: 32,530

The low was more than a month ago ... but it had been hard to tell. The averages are up some 10%, and the S&P is above its 50-day for the first time since April. Moreover, more than 50% of S&P stocks are above their 50-day. At the low that number was 2% – clearly the charts are improved. However, what seemed to be leadership, pharma and the biotechs have stalled rather than lead. When the leaders aren't leading, it's not much of a rally. Being over the 50-day is like clearing an obstacle but no guarantee of success. You're over that prison wall, but still not in the clear. For now there are many stocks still dancing around their 50-day averages. Moving above that level may be no guarantee of success, but it does put the odds in your favor.

To the point “they have stopped going down,” the oil stocks provide an interesting example. If you look at the Energy ETF (XLE-75), it peaked some 12 points above its 50-day, and for now seems to have bottomed 12 points below the 50-day. We realize this is hardly in-depth analysis, and if we were not above our pay grade percentages would be more appropriate. Still, if only aesthetically you have to appreciate the symmetry. Commodity types have suggested oil's demise is more in the financial world, the futures market, then it is in the world of cash. Most of us assumed it was about getting out ahead of the recession. Cash suggests that may not be right. Natural gas meanwhile is back to its highs.

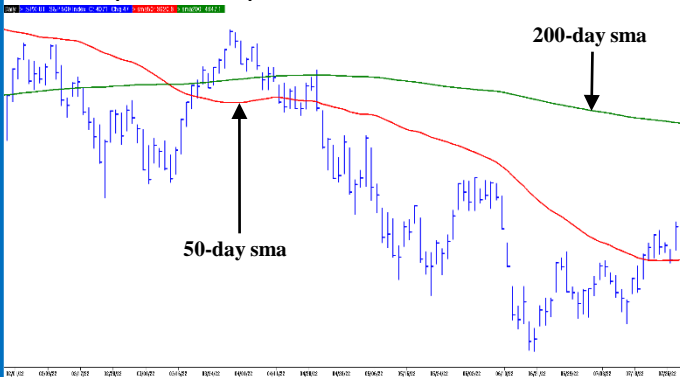
When you get most people on the same side of the boat, it's prime time for a little mean reversion. And that's pretty much what we have seen in investor sentiment, especially the all in Put buying by small options traders. And now US consumers generally share that gloom. The latest survey of households by the Conference Board showed that only 25% of consumers expect stock prices to rise over the next 12 months. This reading is in the bottom 5% of all months since 1987. Meanwhile, 46% of consumers expect stocks to drop, ranking it in the top 3% of all months, according to SentimenTrader.com. The difference between Bulls and Bears is -21%, one of the worst readings in the survey's history. Even during some of the worst bear markets, the current level of pessimism has almost always preceded at least a multi-month relief rally

They say the only thing that goes up in a crisis is correlation. It turns out that Bitcoin and other cryptos made that point. Their correlations to the stock market over the first months of the year have been striking. Despite the ambitious claims of crypto as a diversifying asset, Bloomberg's John Authers points out it has been increasingly procyclical. We have wondered in the stock market's dark days of June, if there might not be a little causality to go with the correlation. Consensus is the Cryptoverse is too small to have much impact, Bitcoin being only the market cap of a large US company and it would be ranked 10th in the S&P, between Nvidia (180) and Procter & Gamble (148). According to Citi, most main stream financial firms are waiting for regulatory clarity and are only at early stages of exploring crypto investing, leaving it somewhat isolated from other financial markets. If crypto's troubles haven't spilled over into other markets, it's clear it's not immune to those other markets and the factors driving them.

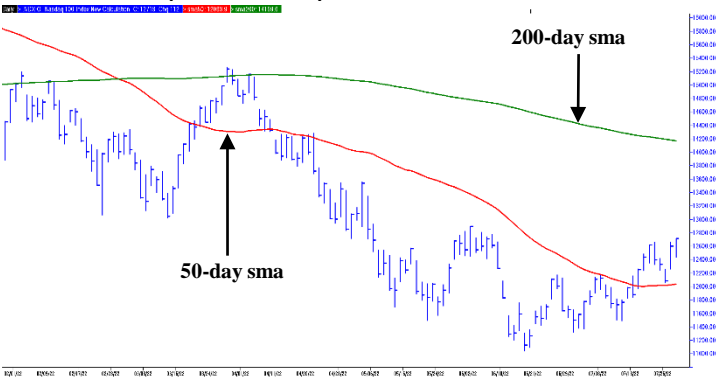
Good rallies don't give you a good chance to get in, they get overbought and stay overbought, and all the other technical clichés. This hasn't been that kind of rally, at least so far. On top of that, the best momentum typically comes early, not six weeks after a low. Yet the Naz just had its best day in years and that on the “good news” of a 75 basis point Fed hike. Or should we give credit where credit is due. Phooey on FANG, it was Microsoft (276) to the rescue. And looking at the stock's action going into those numbers, the news was quite a surprise. Of course one day is just that, which makes Thursday's follow-through impressive, that and the positive A/Ds. Meanwhile, though not the oils or biotechs in terms of numbers, the solar stocks have taken on a whole new and dynamic character.

Frank D. Gretz

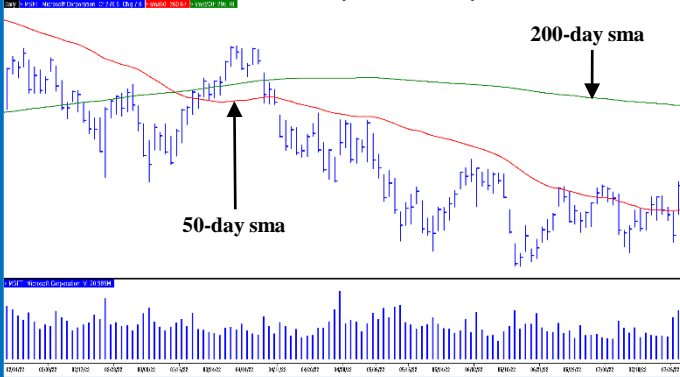
S&P 500 (SPX - 4071) - DAILY



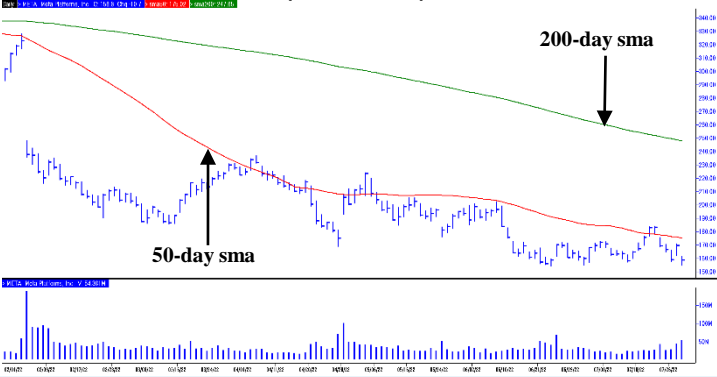
NASDAQ 100 (NDX - 12718) - DAILY



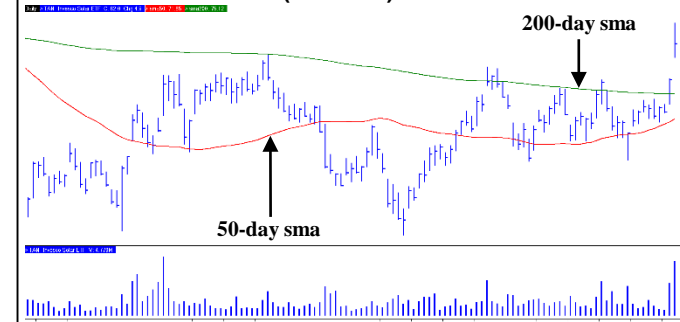
MICROSOFT CORPORATION (MSFT - 276) - DAILY



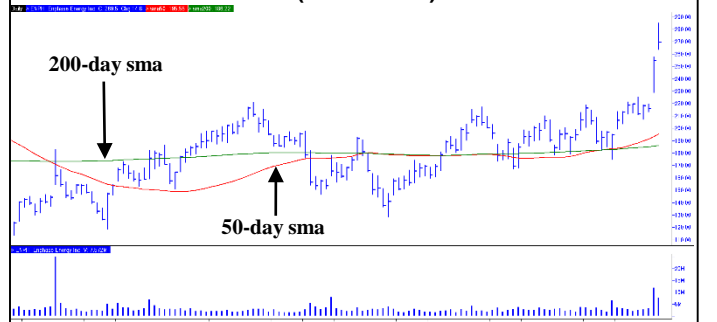
META PLATFORMS INC. (META - 161) - DAILY



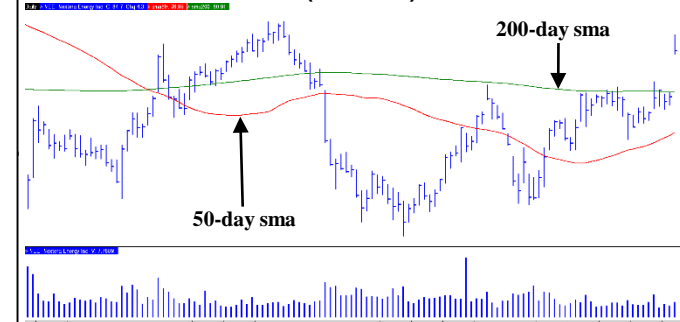
INVESCO SOLAR ETF (TAN - 83) - DAILY



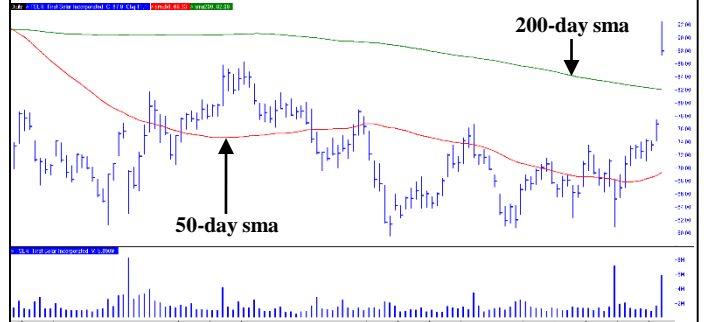
ENPHASE ENERGY INC. (ENPH - 274) - DAILY



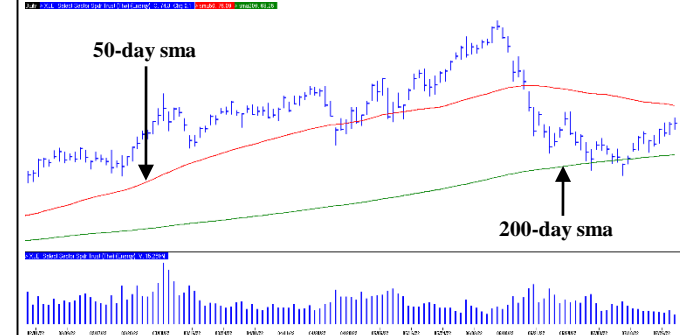
NEXTERA ENERGY INC. (NEE - 85) - DAILY



FIRST SOLAR INCORPORATED (FSLR - 89) - DAILY



SELECT SECTOR SPDR TR - ENERGY (XLE - 75) - DAILY



UNITED STATES NATURAL GAS FUND (UNG - 28) - DAILY

