

EQUITIES PERSPECTIVE

October 14, 2022

DJIA: 30,038

Scoop...there's inflation. Let them know at the grocery store. And remember, you heard it here first. Another scoop, the Fed is tightening. Meanwhile, someone should tell the market which doesn't seem to get it. Then, too, we've long noticed the market sees what it wants to see, and trods along on its own discounting schedule. A couple of times over the last several weeks the market has seemed set up to rally when bad news reared its ugly head. What we don't really get is the bad news isn't exactly new bed news. Still, things may not be as bad as they look, especially if you're not just looking at Tech. It's Tech that has taken a beating of late, while many stocks have held their June lows. We understand that holding isn't rallying, but rallies start somewhere.

While we don't care much for predictions, an easy one might be more volatility. Over several time frames the number of 1% swings in the S&P has exceeded anything in the past decade. Even the Wall Street Journal recently took note of the violent reactions to several earnings reports. Then, too, they say volatility occurs at tops and bottoms. Despite the volatility some bemoan the inability of the VIX (32) to Spike. The VIX, or the CBOE Volatility Index, reflects the weighted average prices of options on the S&P. It is calculated using the S&P 500 puts and calls that mature in roughly the next 30 days. There are several reasons for the somewhat subdued VIX. One is that hedge funds and institutional investors have enhanced returns by selling volatility, a potentially risky move for markets. In any event, even without the anticipated spike, the VIX is elevated to the point where recent lows have occurred.

Does something have to break? The answer of course is no, and the answer of course is something probably will. Jamie Dimon pretty much suggested as much. He also suggested the S&P could fall another 20% from here which, if you're expecting an accident or two, should hardly come as a surprise. If you make a list of all the things that worry you, in six months' time the list is often laughable. Usually it's where you're not looking that gets you. The three day 22% drop in the UK gilts could be a problem that doesn't go away. And the dollar itself could always break something, as its strength has had a significant impact on the countries that have to fund in dollars. And to look at the semiconductor stocks, this chip issue with China seems unlikely to end well. Then, too, markets don't bottom on good news.

Adobe trades around 290-300, down from an August high around 450. The all-time high late last year was around 700. The stock is more than 25% below its 200-day average, but it's the 50-day that seems intriguing. The price difference there is some 15% which is rare, and testament to how battered Tech has become. We don't believe in catching falling knives, but this is one of those stocks arguably still in a long-term uptrend. And its reversal Thursday seems a positive for both it and Tech generally. Intel (26) also is stretched relative to its 50-day, but there's not the long-term uptrend there. Still the best acting area is energy – the oils. The idea that strength is predicated on production cuts seems a bit of a stretch. When did everyone start believing the Saudis, oil has outperformed all year.

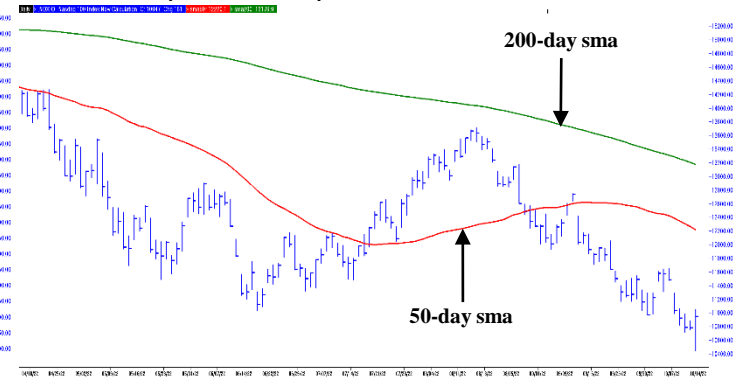
Pick a number, any number. The jobs number, the CPI, PPI, whatever it doesn't matter. We remember when everyone hung on the weekly money supply number, or remember the semi book-to-bill? The number doesn't matter, it's how the market reacts to the number. Good numbers sometimes have had bad reactions, bad numbers good reactions. That's when you learn something, when the market doesn't do what it should, so to speak. Which brings us to the market over the last few weeks. The market seemed set up to rally but at least so far, has not. Of course, who are we to say what the market should or should not do. However, we have often observed when the market has had a chance to go up and does not, or a chance to go down and it does not, it often has proven important. The market had a chance to go down on Thursday, but did not.

Frank D. Gretz

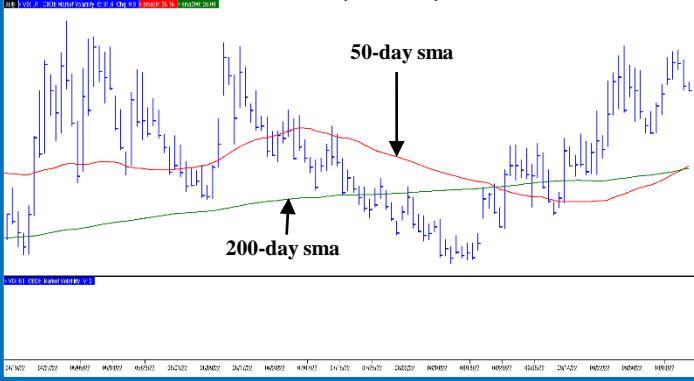
S&P 500 (SPX - 3669) - DAILY



NASDAQ 100 (NDX - 11033) - DAILY



CBOE MARKET VOLATILITY (VIX - 32) - DAILY



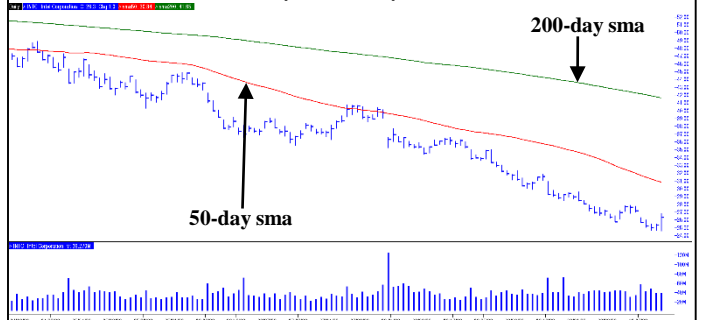
INVESTCO DB US \$ IND BULLISH FD (UUP - 30) - DAILY



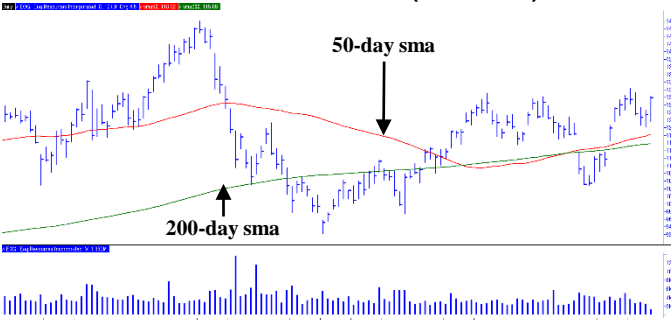
ADOBE INCORPORATED (ADBE - 295) - DAILY



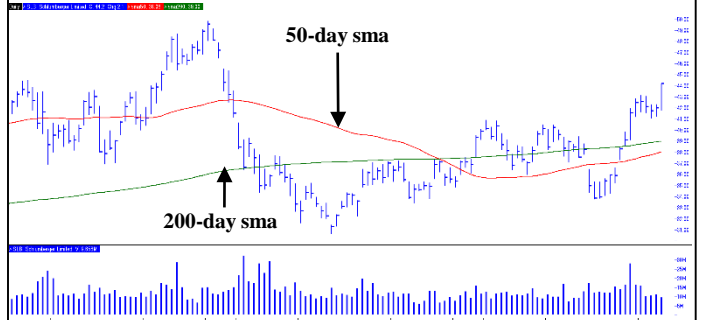
INTEL CORPORATION. (INTC - 26) - DAILY



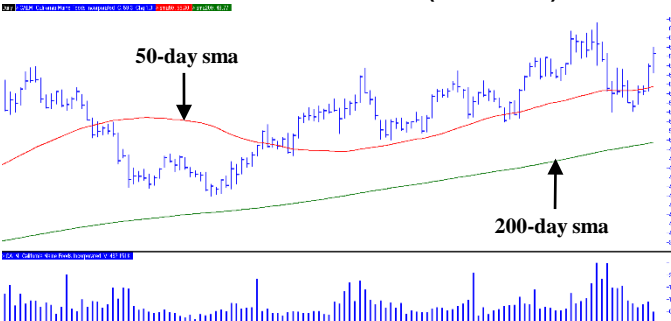
EOG RESOURCES INCORPORATED (EOG - 127) - DAILY



SCHLUMBERGER LTD (SLB - 44) - DAILY



CAL MAINE FOODS INCORPORATED (CALM - 60) - DAILY



HOSTESS BRANDS INCORPORATED (TWNK - 25) - DAILY

