Wellington Shields

EQUITIES PERSPECTIVE

September 30, 2022
DJIA: 29,225

It looks like a low, it feels like a low, missing…is a low. As we like to remind ourselves, and anyone who cares to listen, lows are made by sellers. We're not looking for a market that's oversold, we're looking for a market that's sold out. Sounds a little like double talk, but consider the numbers. When it comes to Tech, it's the worst selling in some 30 years. For the NASDAQ 100, as of Monday night only 1% of stocks were above their 10-day moving average, only 4% were above their 50-day, and only 12% were above the 200-day. Of course these numbers could go still lower, but the point is these are numbers seen at lows. By definition, sold out means stocks should lift, and it's the lift part that's missing. Since the inception of the NDX in 1985, there have been 20 other days with readings this low. Not surprisingly, after the others there was plenty of volatility, but prices eventually moved higher.

These measures of market momentum are one part of the picture, the other being market psychology or how investors react to that momentum. Here the look is pretty positive as well. As you might expect, with the weakness comes the fear of more weakness, and that shows up in the Put-Call Ratios. This is a measure we like because it gets at what people are actually doing, not just what they're saying. For the big Tech stocks, the 50-day Put-Call Ratio is above .85, the highest since the data was available back in 2013, according to SentimenTrader.com. By the time traders buy this many Puts you have to assume they've done quite a lot of selling, which again gets back to the idea that it's the selling that's important. As for what traders are saying, only 8% of postings about the NAZ have had a bullish leaning over the past 20 days. That's the second lowest in a decade.

Market peaks are gradual, with stocks and groups peaking a few at a time. Hence, the peak in the A/Ds ahead of the market averages. Market lows typically are violent events, coming with volume, volatility and, of course, a washout. This market has aspects of both. Certainly the recent string of six days where declines outpaced advancing issues by better than 5-to-1, qualifies in the violent part. Yet you can argue the selling was not all that intense. The Dow, S&P and the Advance-Decline Index all reached new lows this week, undercutting those of June. However, looking at 12-month new lows for individual stocks, the numbers were considerably fewer, suggesting the selling was less. This is what is meant by a secondary low, and can be a positive setting for higher prices. Naturally, that depends on how things play out from here, but it's not insignificant.

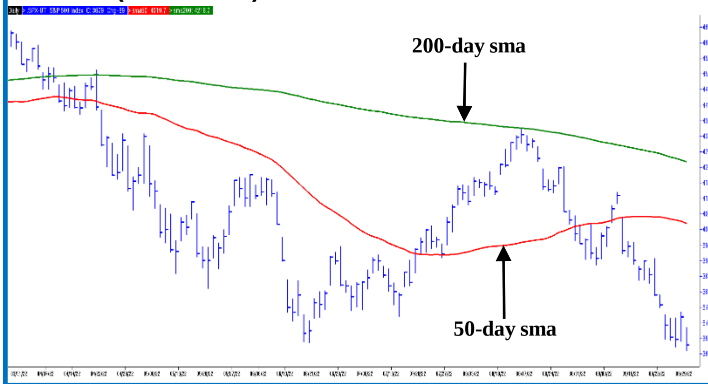
When it comes to intangible signs of a low, the bell seemed to ring last week when the commodity stocks were slammed. These had been holding together reasonably well, so the idea here is that of getting to everything. Bear markets get to everything in the end, but when they do it typically is the end. We might throw in Apple (142) here as well. We did notice Wednesday that gold shares acted better, speaking of false dawns. This may be a stretch, but gold could be sensing a turn in the dollar's relentless strength. There's certainly no sign of an important turn here, but there certainly is every sign the trend is stretched. We spoke above of the NAZ and its moving averages, much the same can be said of the dollar in an opposite way. The Dollar ETF (UUP-30) is 5.8% above its 50-day versus 4.2% when there was a month long peak back in mid-July. A strong dollar is bane to most commodities.

Overall the market still has some headwinds, as they like to say. The biggest, it's fighting the Fed. That means either the Fed gets its inflation number, which will not come easily or quickly, or the Fed flinches, which means things get real bad, including an accident or two. And there's the matter that for the averages this bear market only started in January. For a market which is in the process of unwinding five or more concurrent bubbles, nine months just does not seem time enough, despite the extent of the weakness. What we're talking about in terms of a low is something like June, a temporary washout. Something even less than that 15% reprieve would look pretty good right now, and it's doable. Even bear markets become temporarily washed out, even bear markets have their counter trend rallies.

Frank D. Gretz

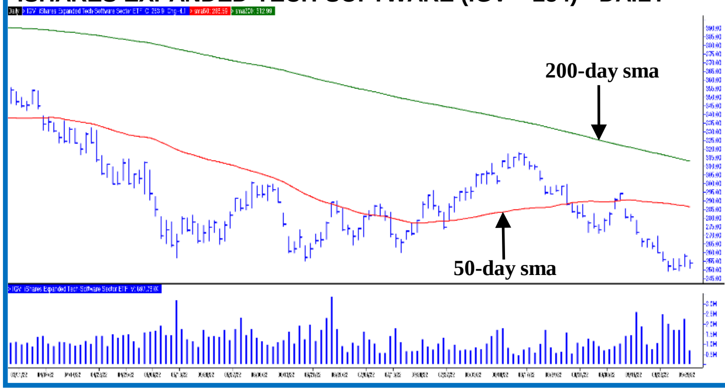
140 BROADWAY NEW YORK, NY 10005 TELEPHONE: (212) 320-3000

S&P 500 (SPX – 3640) – DAILY

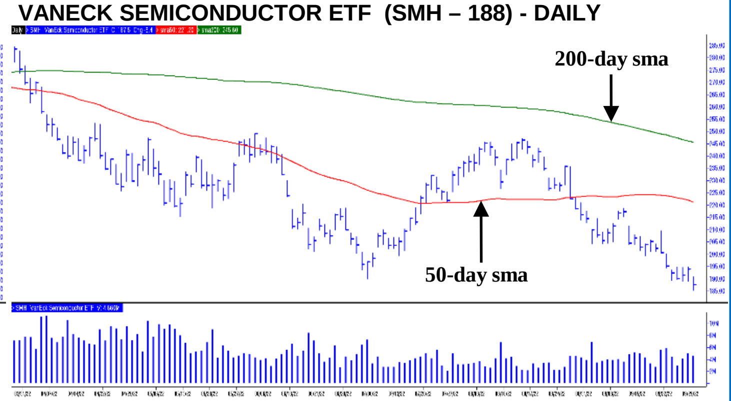


NASDAQ 100 (NDX – 11164) – DAILY

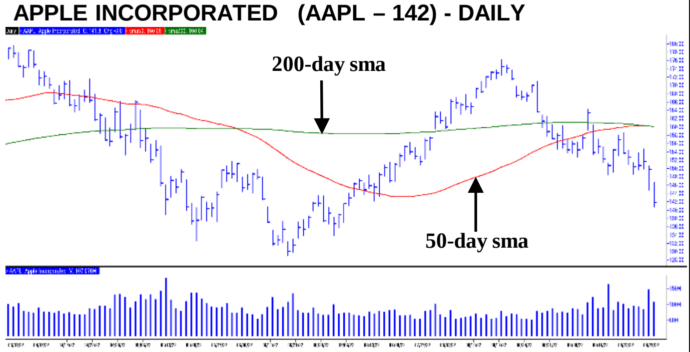
ISHARES EXPANDED TECH-SOFTWARE (IGV – 254) - DAILY



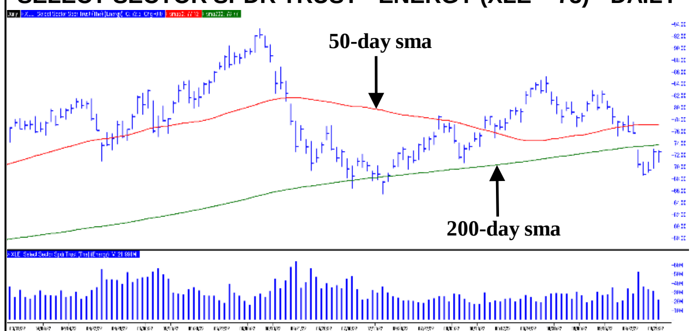
VANECK SEMICONDUCTOR ETF (SMH – 188) - DAILY



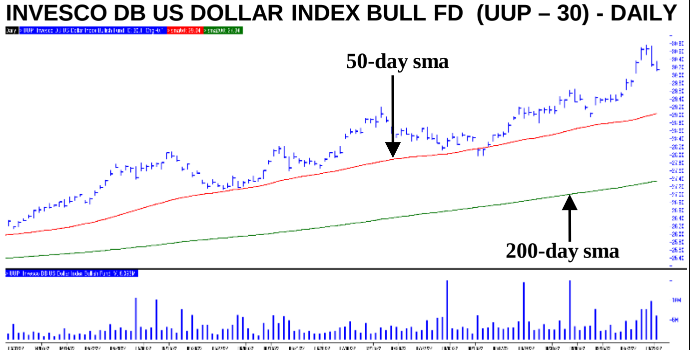
APPLE INCORPORATED (AAPL – 142) - DAILY



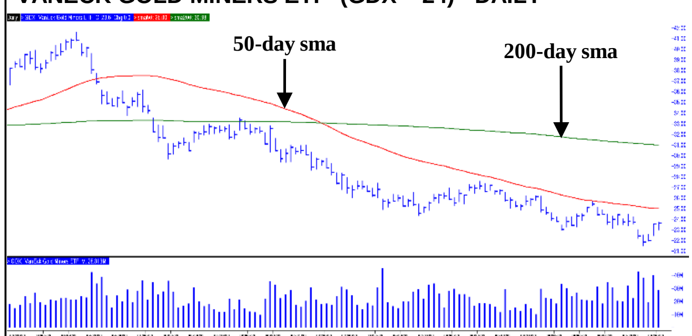
SELECT SECTOR SPDR TRUST - ENERGY (XLE – 73) - DAILY



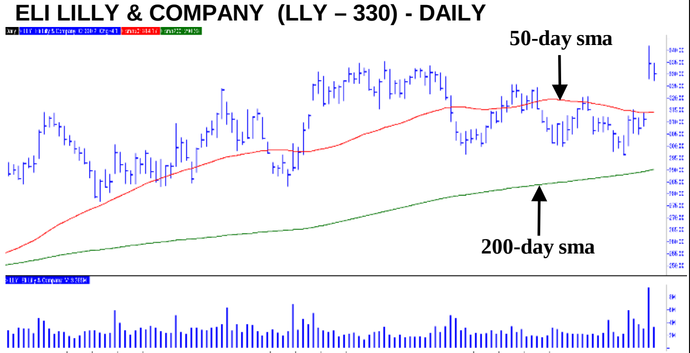
INVESCO DB US DOLLAR INDEX BULL FD (UUP – 30) - DAILY



VANECK GOLD MINERS ETF (GDX – 24) - DAILY



ELI LILLY & COMPANY (LLY – 330) - DAILY



HUMANA INCORPORATED (HUM – 491) - DAILY