

EQUITIES PERSPECTIVE

November 4, 2022

DJIA: 32,001

Hope springs eternal ... or do we mean wishful thinking? With the apparent exception of Jay Powell, we all have learned if you have nothing nice to say, and so on. And that pretty much sums up the Fed meeting. Yet the market seems to have had in mind that it wanted to go higher. Clearly it didn't on Wednesday, and clearly it didn't take the opportunity to ignore bad news, as good markets sometimes do. Some dust now likely has to settle. So how can these pivot hopes be dashed so many times, and yet the market keeps coming back for more? Possibly the market just sees what it wants to see, or possibly it sees more. Possibly it sees inflation has peaked and the typically late Fed will have to pivot. Or, maybe that really is wishful thinking.

To channel Mick Jagger, stay off of my cloud, and the rest of Tech. They say things change, and they have. From the M word being Microsoft (214), to the M word being McDonald's (273). Both are in big overall uptrends, the difference is MCD is at the top of that trend. A burger and a Coke may hit the spot, but a burger and a Pepsi (178) is even better – the latter is another all-time high. According to Barron's 27% of packaged food stocks hit 12-month highs last week. Hershey (232) looks like Microsoft in days of old. Technically speaking it's not difficult to see these stocks continuing their outperformance. After all, it has been all about Tech for so long some change seems overdue. And that often comes about out of corrective periods.

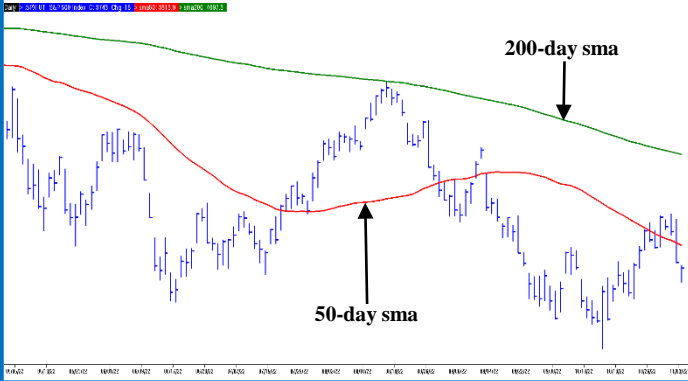
Together with the market's somewhat more conservative leaning, and with help from those that are its namesake, the Dow Industrials are on a tear. Unlike the dot-com/new economy days, the Dow isn't exactly old economy. Indeed the Cisco (44), Microsoft and Salesforce (146) positions are new relative to those good old days. It does seem fair to say, however, the Dow for the most part is a different economy, different for sure from the NAZ economy. To that point, over the last 30 days through Tuesday, the Dow relative to the NAZ was up more than 10%. Take that you Tech geeks. It was even up more than 5% against the obviously broader-based S&P. It's too soon to call the revolt durable, but it is something to consider. And in the case of McDonalds and Pepsi, what's the risk – these are NAZ looking charts anyway.

The main thing going for the market has been the seemingly washed out price action. There is, however, some sign of positive momentum in terms of stocks reaching 52-week highs. In September there were a third more stocks trading at new lows versus new highs, a historical extreme. Following similar extremes the S&P's one year return was 25%, according to SentimenTrader.com. This week the number reversed, with more stocks trading at new highs. As one would expect, returns against this backdrop are about twice that when new lows dominate. The change is a tentative one but still seems important. With the exception of some of the obvious names, even Tech is in the same position. The percentage of stocks at new highs minus lows turned positive after one of the most negative readings since the inception of the Nasdaq In 1985.

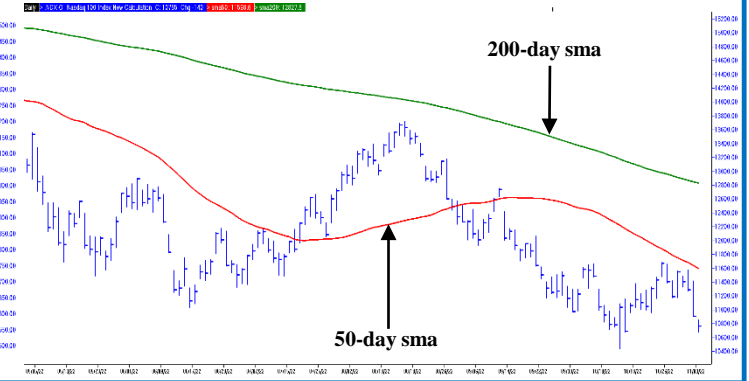
We still have a ways to go, Powell said. It was another Fed to the market slap down, in this case to the S&P's one percent afternoon rally. Nothing new except a little misguided exuberance. And the Fed did add the phrase "cumulative tightening" to the statement, suggesting a need to judge what effect they're having before continuing their serial tightening. It wasn't a PIVOT, but maybe a PIV. As we say about the big up days, one day is just that. Worry less about the Fed and more about those A/D numbers. Up in the averages with lagging A/Ds is never good, regardless of the Fed. Meanwhile, oil and the like doesn't seem to want to quit.

Frank D. Gretz

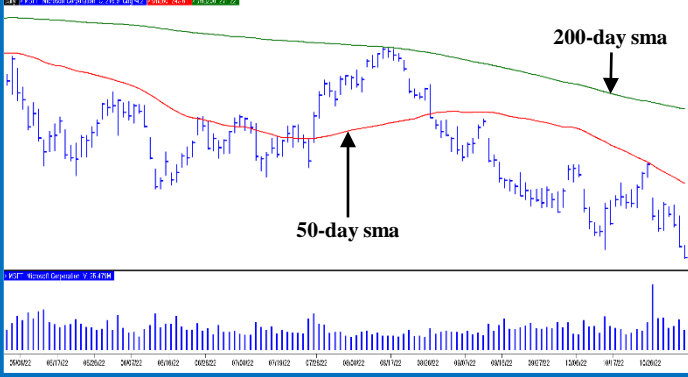
S&P 500 (SPX - 3729) - DAILY



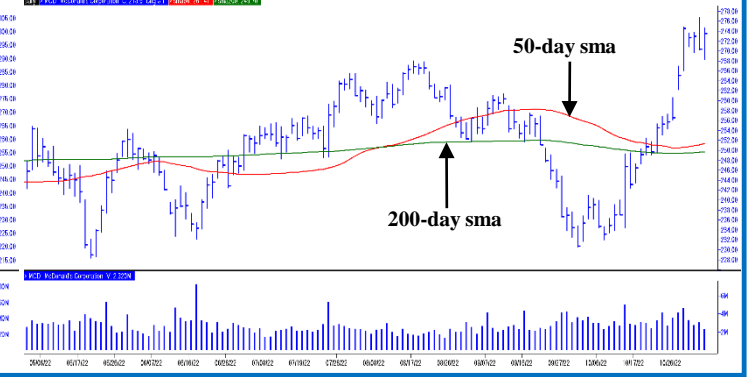
NASDAQ 100 (NDX - 10690) - DAILY



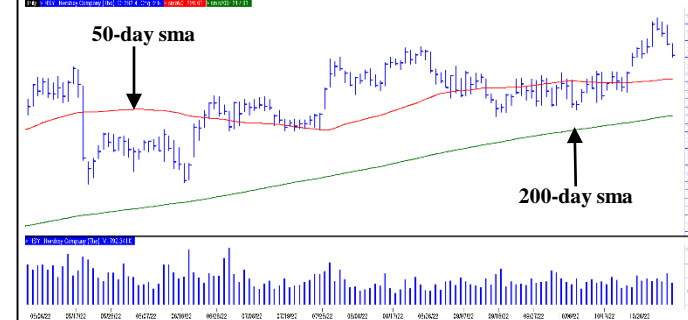
MICROSOFT CORPORATION (MSFT - 214) - DAILY



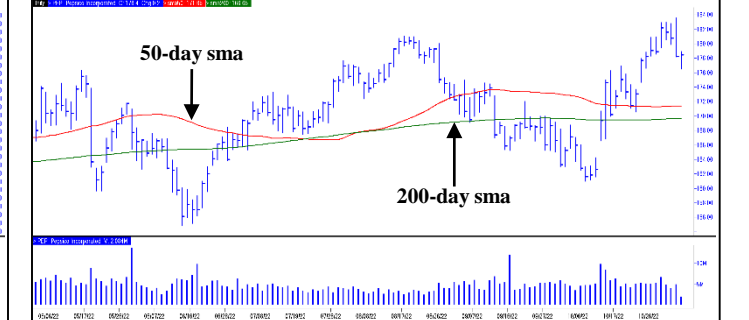
MCDONALD'S CORPORATION (MCD - 273) - DAILY



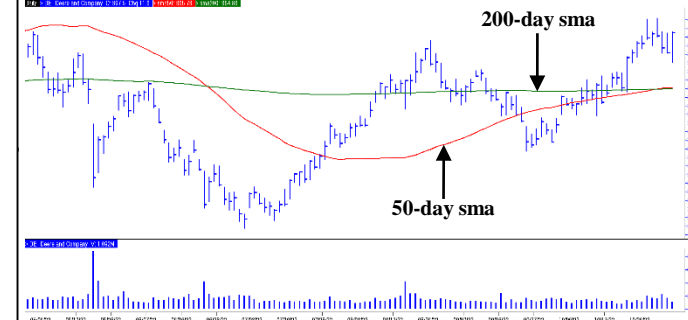
HERSHEY COMPANY (HSY - 232) - DAILY



PEPSICO INCORPORATED (PEP - 178) - DAILY



DEERE & COMPANY (DE - 394) - DAILY



CATERPILLAR INCORPORATED (CAT - 219) - DAILY

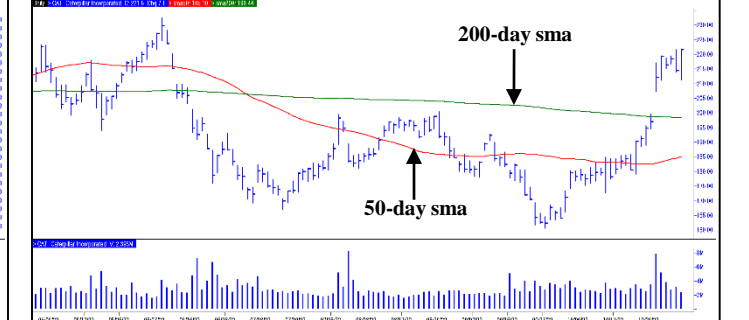
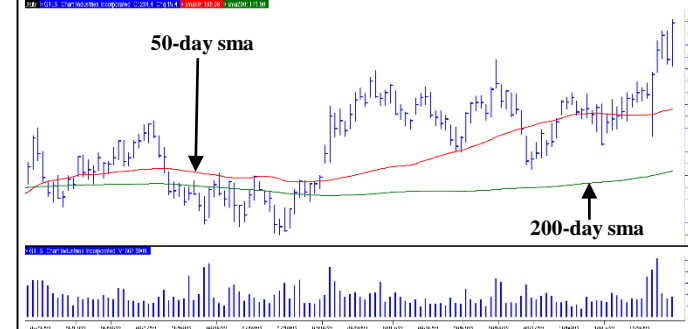


CHART INDUSTRIES INC. (GTLS - 232) - DAILY



SHOCKWAVE MEDICAL, INC. (SWAV - 280) - DAILY

