Wellington Shields

# EQUITIES PERSPECTIVE

December 16, 2022
DJIA: 33,202

Sell the news …especially good news. That proved true to an extreme on Tuesday, but in this market follow-through has been hard to come by any old time. There are plenty of good charts, but good charts not doing much of anything. Then, too, it's a positive time of year, but a time of year when you don't typically expect the dramatic. Tuesday's reversal was rather dramatic. We had our 500-point rally on Monday, so some of the good news arguably was already in. And a somewhat overlooked part of the Tuesday drama was that Advance-Declines were close to 3-to-1 up. The previous month's CPI held onto an 800-point Dow gain, but with A/Ds only a little better than 2-to-1. We'll take the better A/D numbers anytime.

As it happens, NYSE Advance-Decline numbers have been disappointing of late, having peaked three weeks ago. An adjusted measure of A/Ds turned negative just a few days ago, worrisome in that this measure pretty much nailed the low in mid-October. A cumulative measure of new highs/lows also called the October low pretty well and now is teetering on a sell signal. So some technical concerns have arisen, against the always to be respected December seasonal pattern. The second half of the month, and certainly that last week of the year, tends to be particularly positive. Even here, however, it's important to keep an eye on those A/D numbers, especially on up days. You don't want to see poor participation when the market is up.

If not one thing it's another for Cathie Wood. She just spent a couple of years suffering with an array of stay-at-home stocks whose time has passed, but her portfolios were somewhat held together by Tesla (158). Now most of the losers at least have stopped going down, but it has been Tesla's turn. And it's not just that it's down in some sort of normal correction, a look at the monthly charge is worrisome. Meta (116) of course is another name seemingly passed its glory days market-wise, although a banning of TikTok, if it comes to pass, should help there. Another over-owned stock not acting so well is Apple (137), which as yet has no serious break. It's hard to stay on top, just ask Cisco Systems (48) or GE (79), both once the largest stocks by market cap. Meanwhile, we have touted McDonald's (272) versus Microsoft (249). We still like McDonald's, but have come around to Microsoft. Like the S&P, it too may have difficulty with its 200-day, as it did in August.

Bad news from Wall Street often isn't bad news at all. Bloomberg recently pointed out that Wall Street strategists are the most pessimistic in 22 years, calling for a decline in the S&P next year. Most have turned progressively more negative in this worst year since the financial crisis. Strategists take a top down view while analysts do pretty much the opposite, focusing on individual company earnings prospects. Despite the different approach, their analysis has been just as negative. A few weeks ago there were a net 150 downgrades in a single day, the third most in 12 years. Other times of record downgrades coincided with important lows, according to SentimenTrader.com. There is a small sample size here, but Wall Street pessimism often has been a good sign for the market.

It's a tough time of the year to be bearish. Unfortunately, that's not to say it's wrong to be bearish. The technical backdrop has shown deterioration and the market didn't exactly ignore Powell's revisit of Jackson Hole. As always, it's not the news, it's what the market does with it. Wednesday's reaction wasn't terrible, in fact it looked more undecided. As often happens after these events, the real reaction comes the day after, and that did look terrible. We were a bit surprised at the market's surprise, as we have come to think more hikes were priced in and recession is the worry, a worry made clear by oil's failure to respond to the China reopening. We all know year-end is favorable and the New Year likely weak. When it comes to the stock market, however, what we all know isn't worth knowing. There's a catch here somewhere. The way they're acting, it could be here at year-end.

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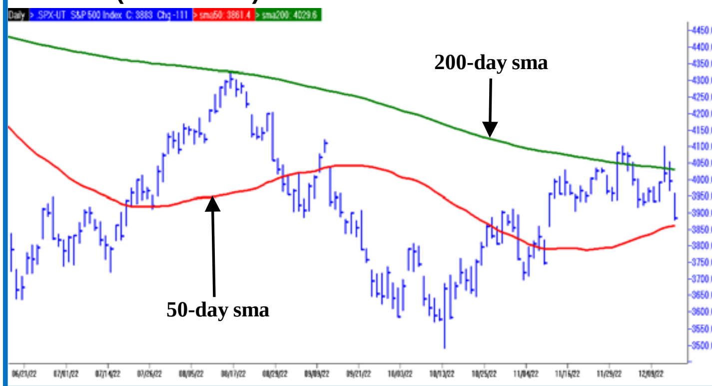
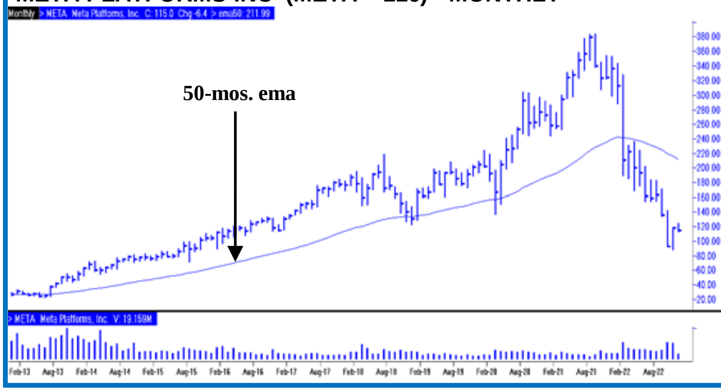
## S&P 500 (SPX – 3894) – DAILY

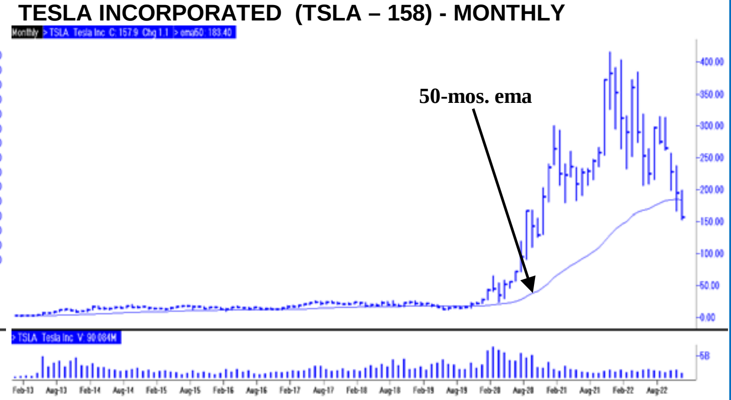



## NASDAQ 100 (NDX – 11345) – DAILY

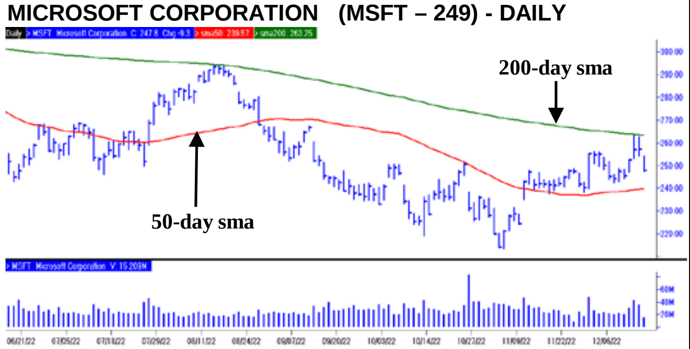

## META PLATFORMS INC (META – 116) - MONTHLY



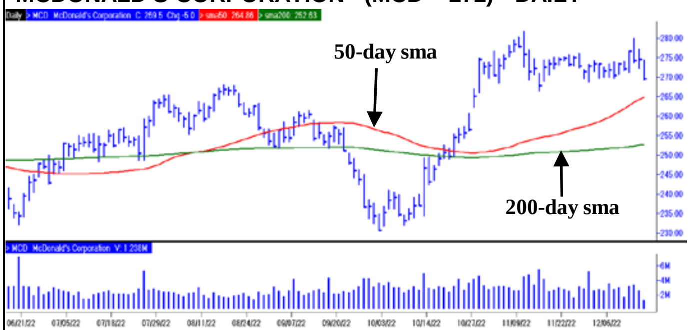

## TESLA INCORPORATED (TSLA – 158) - MONTHLY



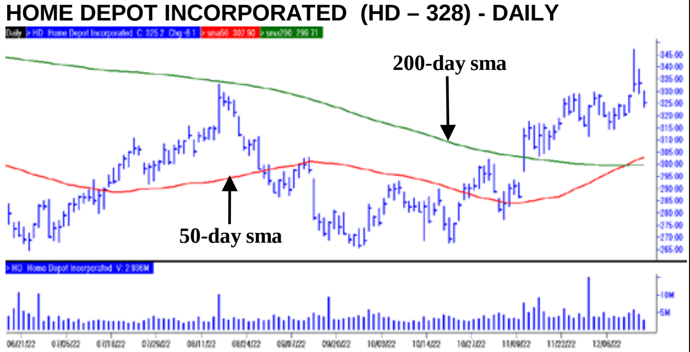

## MICROSOFT CORPORATION (MSFT – 249) - DAILY




## MCDONALD'S CORPORATION (MCD – 272) - DAILY

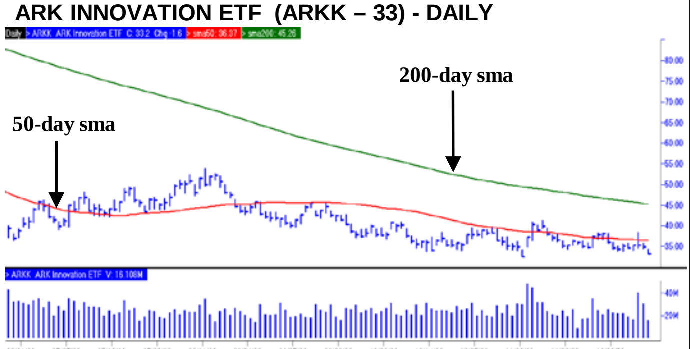



## HOME DEPOT INCORPORATED (HD – 328) - DAILY




## CAMPBELL SOUP COMPANY (CPB – 57) - DAILY


## ARK INNOVATION ETF (ARKK – 33) - DAILY




## ZOOM VIDEO COMMUNICATIONS INC. (ZM – 70) - DAILY