

EQUITIES PERSPECTIVE

December 2, 2022
DJIA: 34,395

Toto ... I have a feeling we're not in Jackson Hole anymore. Though brief, Powell's comments back then sent the market reeling some 1000 Dow points just that day, and another 1300 points into the October low. So what got the market up 700 points on Wednesday? Granted the speech had a conciliatory tone, but the rally may not have been about the speech at all. The market, simply put, was loaded for bear. The Dow had fallen 500 points on Monday, was down most of Tuesday, and was even down 300 points before Powell's comments. It's not exactly a stretch to say expectations were low. To give the market its due, the overall technical background had seemed sound coming into the week. And the good news about the speech - it's over.

Diamonds recently have been everyone's best friend. The "diamonds" we are referring to are the ETF for the Dow Jones Industrial Average, the symbol for which is DIA (344), hence diamonds. It's surprising to realize the Dow is down only about 5% this year and, therefore, your best friend. That's all the more true considering the S&P is off 14% and the NAZ some 30%. The secret of the Dow's success is pretty clear, Microsoft (255) is the only Tech among its top 10 holdings. As you probably know, the Dow has the quirk of being price-weighted, making a \$500 stock like United Healthcare (537) its largest holding. Also among the top 10 holdings are companies like Caterpillar (236) and Honeywell (217). Meanwhile, the Nasdaq is referred to as "tech heavy," and Tech has made it just that. While the S&P obviously is broader and more diversified, it is market cap-weighted making a stock like Apple (148) 7% of the Index.

A few weeks ago, courtesy of SentimenTrader.com, we pointed out that Materials had made a remarkable turnaround. In less than two months every stock in the group had gone from below its 50-day moving average to above that average. There is a small sample here, but all of the occurrences showed positive returns in the next 2 to 12 months. A somewhat similar pattern now has occurred with Industrial stocks. As of last week nearly all had climbed above their 50-day while less than two months ago only 3% had done so. A similar pattern occurred in August with poor short-term results, but over the last 70 years the pattern preceded six-month gains every time. Another positive here is that both XLI (102) and XLB (83) have moved above the 200-day moving average as well.

To look at the SPDR Energy ETF (XLE-91), Oil isn't what it used to be. And yet the ETF is simply consolidating, and doing so less than five points from its high. That said, it is doing so while only just back to the high in June, and that after a couple of nasty drawdowns. Meanwhile, the January to June rally had been one of the most consistent and orderly uptrends we've seen in sometime. Uptrends, of course, all have their corrections. The fact that XLE has made it back to the highs seems very positive. Of late a concern has been the divergence between the stocks and the commodity - down 4% and 40%, respectively. Some say this reflects a newfound religion among producers. We say the stocks just might have it right, and the commodity will follow.

News out of China sent markets lower Monday, though we're not sure that too wasn't more to do with Powell phobia. And at least for the S&P and its 200-day, reminiscences of last August could have had something to do with it as well. There is, however, an important difference between now and last August - S & P stocks are outperforming the S&P Index. While the Index still struggles with its 200-day, more than 60% of its components are above their 200-day. Typically, participation is the key, and that's why 5-to-1 Advance/Declines is important as well. The number of S&P stocks above the 50-day also is impressive, having cycled from 3% to close to 90%, another pattern with positive 6 - 12 month results. The shift in momentum for both the XLI and XLB also auger well for year-end results. As Thursday once again made clear, however, nothing in this market comes easy.

Frank D. Gretz

S&P 500 (SPX - 4084) - DAILY



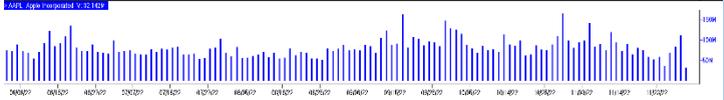
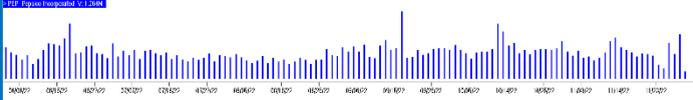
NASDAQ 100 (NDX - 12041) - DAILY



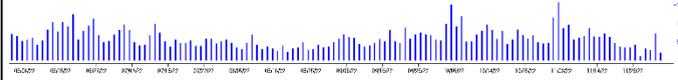
PEPSICO INCORPORATED (PEP - 186) - DAILY



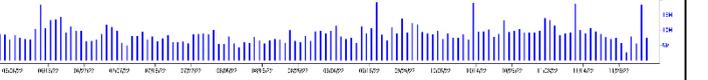
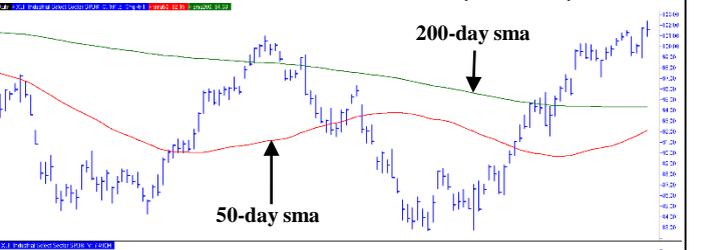
APPLE INCORPORATED (AAPL - 148) - DAILY



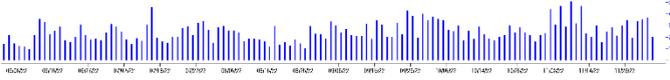
MATERIALS SELECT SECTOR SPDR FD (XLB - 83) - DAILY



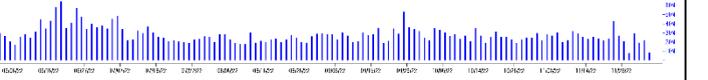
INDUSTRIAL SELECT SECTOR SPDR FD (XLI - 102) - DAILY



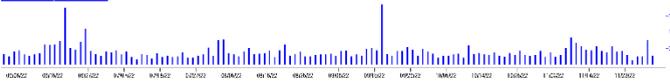
VANECK GOLD MINERS ETF (GDX - 30) - DAILY



ENERGY SELECT SECTOR SPDR FD (XLE - 91) - DAILY



SANMINA CORPORATION (SANM - 67) - DAILY



SAREPTA THERAPEUTICS INC. (SRPT - 123) - DAILY

