Wellington Shields

EQUITIES PERSPECTIVE

December 9, 2022
DJIA: 33,781

Now there's a pivot… but it's in China. It's not the much vaunted Fed pivot most are hoping for, but it suddenly made China not non-investable again. You might recall just a couple of weeks ago protests there jolted our market some 500 Dow points. Markets there, however, not only didn't flinch, until Wednesday they never looked back. Nearly all Chinese technology stocks have moved above their 50-day averages, and more than half are above their 200-day averages. As we've seen in other areas like Materials, for example, surges to all up from all down have medium and even longer term implications. Stocks like JD.com (60) and BABA (94) are up 60 to 70% just since their October low. Of course you have to wonder what happens when Covid numbers start increasing.

As you would imagine, better news out of China is better news for most of the commodities complex. Nonetheless, the better action in steel stocks is a bit of a surprise. As it happens, there's an ETF here which pretty much captures the spirit of the move, though many of the top 10 holdings are not exactly household names. We would point to Steel Dynamics (110) as an interesting chart, though Nucor (151) seems everyone's go-to steel, and is also technically positive. Conspicuous in not responding has been oil. The stocks not only have not rallied, in some cases they've turned weak enough to test their 50-day averages. That's now likely to require some rebuilding before any resumption of the overall uptrends. Meanwhile, more to do with dollar weakness, gold shares have acted well.

We haven't favored Tech, and so far rightly so. Of course, not all Tech is the same and to that point, not all semiconductors are the same. While the AMDs (70) and Microns (55) struggle, the guys that make the stuff that make the stuff, the equipment manufacturers, have acted quite well. We're thinking here of stocks like AMAT (109), ASML (607) and KLA Corp. (396). On the other end of the product spectrum, soup seems good food, at least to judge by Campbell's (57) recent numbers and its stock performance. Our pick might be General Mills (88) based on the overall chart, but once again it's the concept that seems important here. These defensive/slow growth names have performed quite well. It's sort of that MCD (273) versus MSFT (247) idea.

Pity the poor DJIA. It's outperforming and still it's maligned. Could it just be Shakespeare's green-eyed monster? After all, the S&P is down some 17%, the NASDAQ 30% and the Dow only about 5%. Meanwhile, Wall Street benchmarks to the S&P, for them in this case a good thing. In reality, of course, they might benchmark to the S&P but they own the NASDAQ. It's those Tech stocks that are stinking up the place. The Dow now has its Salesforce (130), down close to 50% this year, while even Microsoft is off close to 30%. We often wondered if the nice people at Dow Jones are just bad stock pickers. Then it was explained they simply try to choose stocks representative of the market or economy at the time. The problem is things change, and when it comes to Tech nothing changes faster.

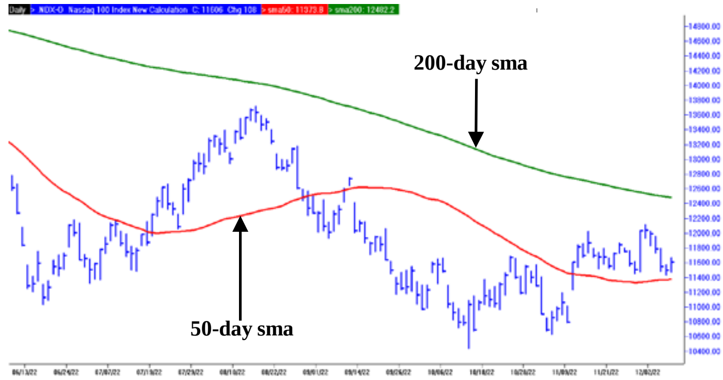
Year end is all you can imagine, literally. There are, as they like to say, cross currents and as you've noticed, a tendency for weakness early on. The S&P still struggles with its 200-day average, but unlike August when that recovery died, this time far more S&P components are above their own 200-day averages, an important difference. Meanwhile, stocks above their 50-day average have cycled from 3% to 90%, a momentum change with positive 6-to-12 implications. If you simply look at volume on days when the market rallies, it tends to expand and contract into weakness. That's not the most sophisticated insight you'll find, but sometimes the simple things work. Probably the most positive week of the year is that between Christmas and New Year's, but with one of our favorite cautionary notes. If Santa Claus should fail to call, bears will come to Broad and Wall.

Frank D. Gretz

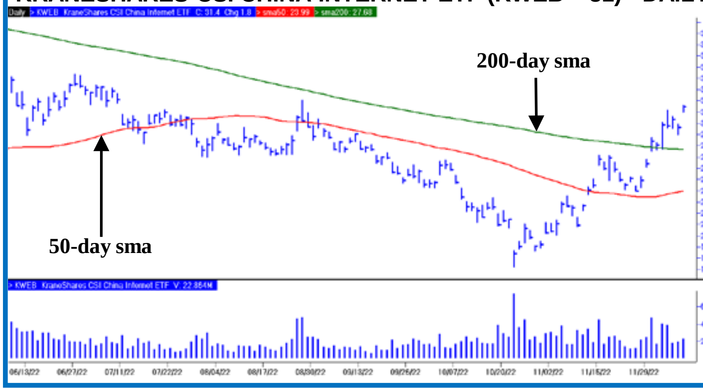
140 BROADWAY NEW YORK, NY 10005 TELEPHONE: (212) 320-3000

S&P 500 (SPX – 3960) – DAILY

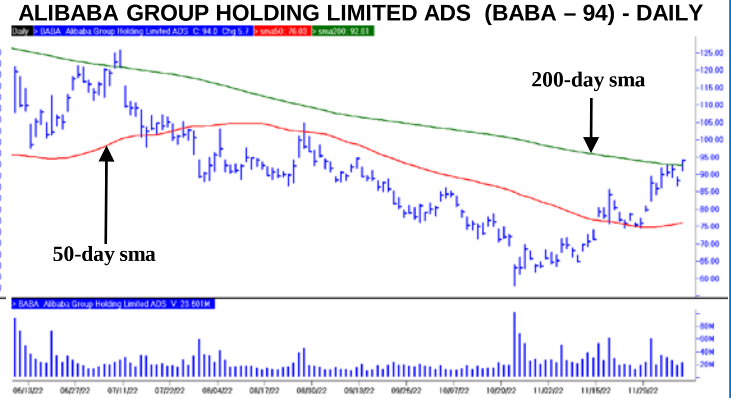
NASDAQ 100 (NDX – 11637) – DAILY



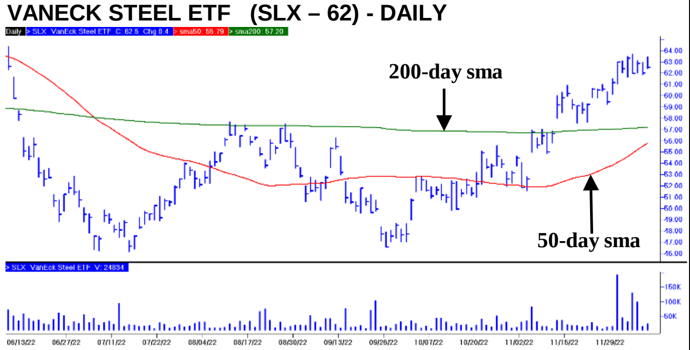
KRANESHARES CSI CHINA INTERNET ETF (KWEB – 31) - DAILY



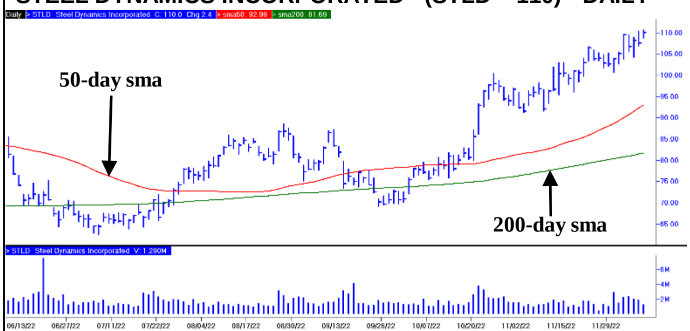
ALIBABA GROUP HOLDING LIMITED ADS (BABA – 94) - DAILY



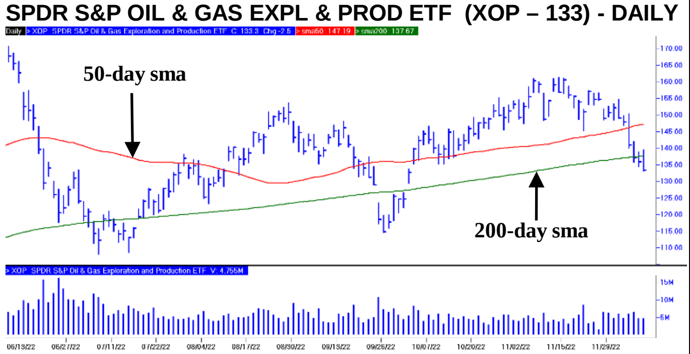
VANECK STEEL ETF (SLX – 62) - DAILY



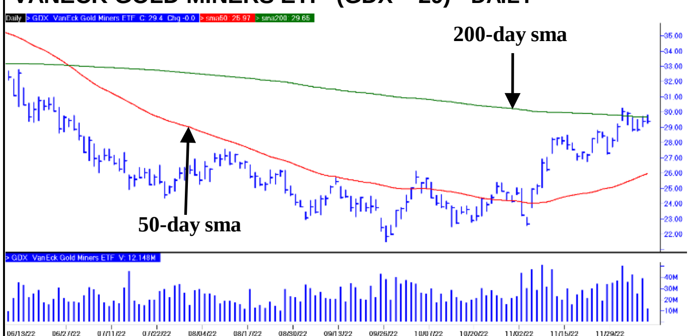
STEEL DYNAMICS INCORPORATED (STLD – 110) - DAILY



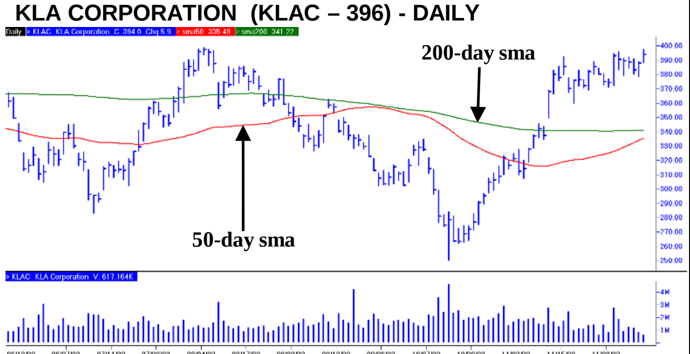
SPDR S&P OIL & GAS EXPL & PROD ETF (XOP – 133) - DAILY



VANECK GOLD MINERS ETF (GDX – 29) - DAILY



KLA CORPORATION (KLAC – 396) - DAILY



GENERAL MILLS INCORPORATED (GIS – 88) - DAILY