Wellington Shields

EQUITIES PERSPECTIVE

January 6, 2023
DJIA: 32,930

Last year was so tough …even the liars didn't make money. It wasn't a good year to chase rallies – the S&P lost 0.24% on the day following a big up day. On top of that, buying the dips didn't work. The S&P saw 63 sessions that had a 1% loss, but went on to lose 0.29% the following day, according to SentimenTrader.com. Don't follow strength but don't buy weakness – that makes for a tough year. The good news, stocks tended to rebound after similar years. The price action has had a positive impact on investor psychology. The Citi Panic/Euphoria Model published in Barron's shows some of its lowest readings in years. The higher the model, readings of euphoria, lower returns are to be expected. The lower the model, readings of panic, positive returns are expected. When the model is below zero, as it is now, since 1993 the S&P's annualized return was more than 15%.

As for the market averages, they're in downtrends, which is to say below their various moving averages. And some of the indicators we look to such as new highs and Advance-Decline numbers turned negative in early December and remain so. These, by the way, had turned positive in mid-October and are not so prone to quick reversals as are others. That said, like the market these measures have stabilized recently. Going into January the market has had its share of bad days but almost surprisingly, its share of good days. When the averages are down you can expect the A/Ds to be negative. When the averages are up, the A/Ds should be correspondingly up, though in weak markets that's not always the case. So far there has not been what we call bad up days – up days in the averages with flat or worse A/Ds.

Last year's market pattern fits in with our complaint about the charts – there are good charts but few good charts that are working. When you can't buy the dips the way you used to, that's a tough market. When you can't buy strength, that's a really tough market. The latest here was Tuesday's disappointing action in energy, particularly the oil equipment stocks. There were few better charts. Semis are a bit all over the place but not that long ago the equipment makers seemed to be acting much better. That was of some interest in that the semis bottomed in late 2008, well ahead of the market bottom in March 2009. However, using ASML (565) as an example, its seemingly impressive break out around 620 back in mid-December failed, resulting in a move back below its 50-day.

This could be a good year for gold – where have you heard that before. Finally the dollar is going the right way, which for gold and most commodities is lower. And while the stock ETF, GDX (31), is dancing around its 200- day, the commodity ETF, GLD (171), is well above that level. Both, of course, are above their 50- day averages and those look about to cross above the 200-day, the "golden cross," if you believe in such things. The better patterns reflect what has been a dramatic momentum shift. Back in October most gold shares were below their 200-day while now at least half are above that level. This kind of change can be important, but here too follow-through seems the key. Gold over time has had more than its fair share of false starts, but when it works it often works big.

Could Boeing (205) be stock of the year? Certainly both the stock and the business have been through the wringer. Still, it's hard to give up on a company with something like a 40% share of a worldwide market, especially since the chart has turned positive. Joined at the hip in its way is GE (71), which seems to be doing better in its own right. Following bad years like this last one you have to be careful following stocks that worked in those years. That said, the oil service stocks like Halliburton (39) still look positive. Layoffs mean business is bad, yet Salesforce (136) rallied on the news. We get the logic, but had it been down we get that logic as well. Then there is the conundrum of the housing market. Rates have had their impact on home sales, but not on home builders? Earnings will be bad this year, even technical analysts know that. We also know stocks bottom some 10 months ahead of earnings. If it happens, this would be the most anticipated recession ever. Then, too, if contrary opinion always worked, this would be postmarked The South of France.

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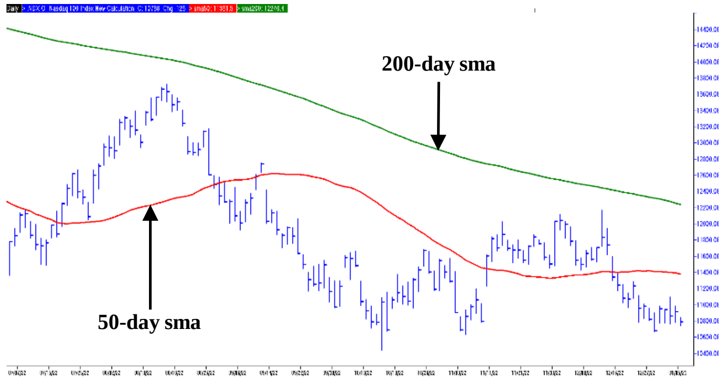
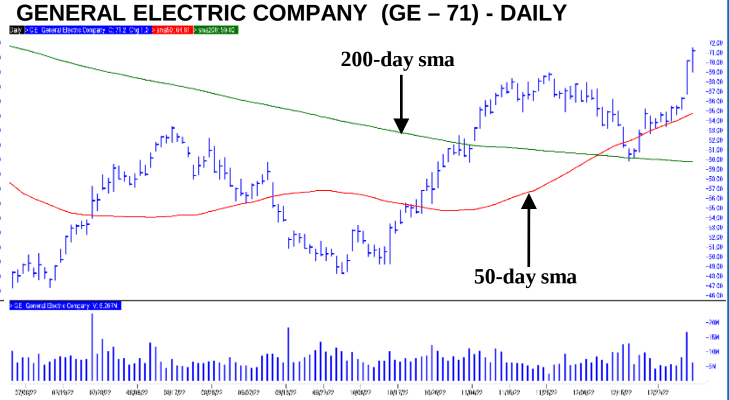
S&P 500 (SPX – 3808) – DAILY

NASDAQ 100 (NDX – 10741) – DAILY

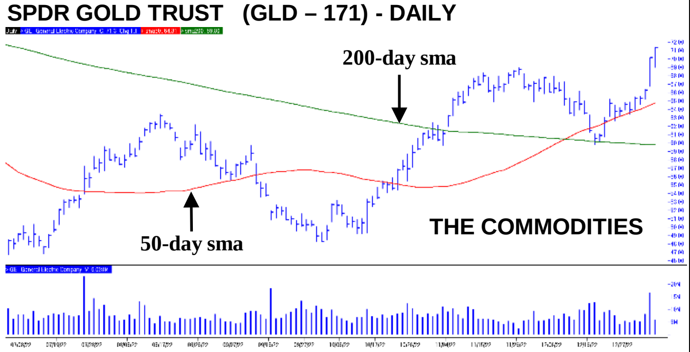


BOEING COMPANY (BA – 205) - DAILY

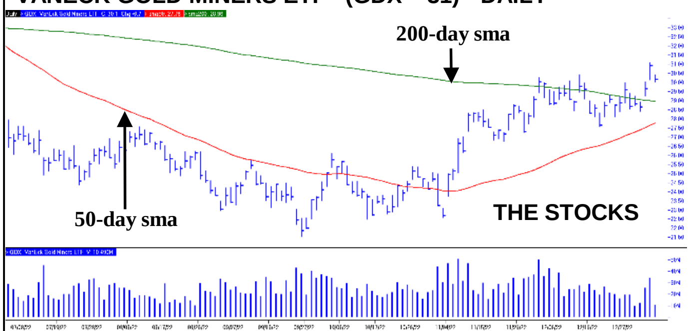
GENERAL ELECTRIC COMPANY (GE – 71) - DAILY



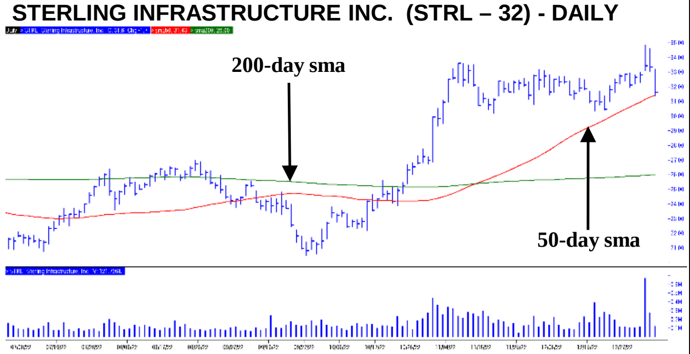
SPDR GOLD TRUST (GLD – 171) - DAILY



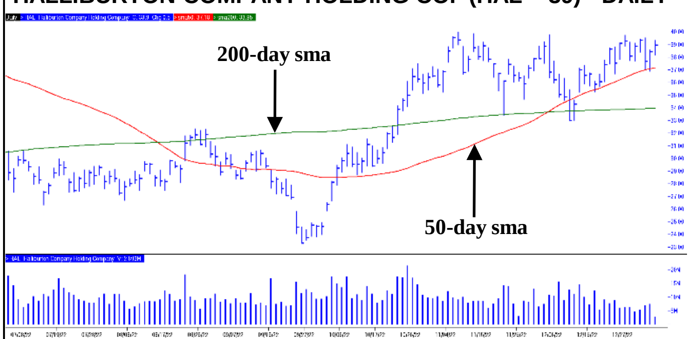
VANECK GOLD MINERS ETF (GDX – 31) - DAILY



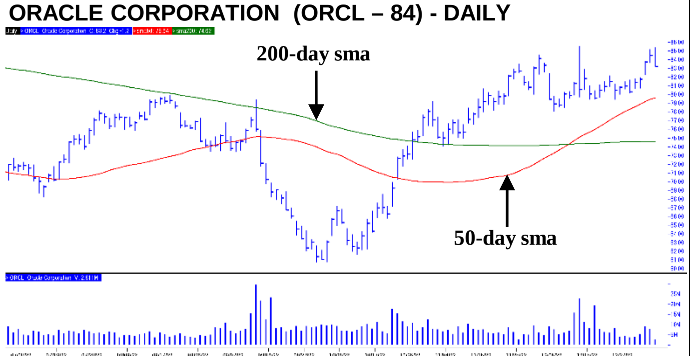
STERLING INFRASTRUCTURE INC. (STRL – 32) - DAILY



HALLIBURTON COMPANY HOLDING CO. (HAL – 39) - DAILY



ORACLE CORPORATION (ORCL – 84) - DAILY



CROCS INCORPORATED (CROX – 110) - DAILY