Wellington Shields

EQUITIES PERSPECTIVE

March 17, 2023
DJIA: 32246

Who loses money in the world's safest investment … banks of course. So how does this work again – rates go up, bond prices go down? Having tired of lending money to Third World countries, trying to rig LIBOR, writing "liar loans," the banks have found yet another way to screw up. Still, there was a perverse predictability to SVB, no one was looking there, and that's what usually comes back to bite you. Scary/disappointing as it all might be, it's an ill wind, and all that. SVB and the rest just may have done the Fed's job for it. At the very least, it should help ease the Fed's foot off the rate hike pedal. The idea that the futures were up prior to the CPI release Tuesday morning tells you inflation is less of a worry. Now it's about a loss of confidence, and that takes time to resolve.

After Tuesday's calm came Wednesday's turmoil, thanks to those almost forgotten problems at Credit Suisse (2). Tempting to say let those problems remain forgotten, but that didn't turn out so well in the case of Bear Stearns or Lehman. The latter were seen as being small enough to allow to fail, though in retrospect they were not. It seems clear that bank profits will be hurt, which means lower share prices. What's not clear is that dirty word contagion – to what extent this morphs into further failures and a greater economic impact. The latter came to the forefront Wednesday with the selling in everything sensitive to economic growth, especially Energy. As we suggested, this banking problem is doing the Fed's job for it, but will the Fed see it that way as well. We had thought a pause might be taken as a sign of Fed panic – they must know something. We now think it would be taken as a sign of Fed reason.

In the midst of layoffs in the auto industry, Walter Reuther once quipped, who do they think buys these things? Meta (205) plans to cut another 10,000 jobs and leave 5000 openings unfilled. Investors may not have bought into the metaverse, but they have bought into the stock. It was up some 13 points on the news Tuesday, and another 4 points in Wednesday's weak market. Seems growth is out and efficiency is in. Be lean, be mean, layoff more workers and really get that stock going. Then, too, if this is good it's a telling commentary on how bloated and poorly run the Company had been all this time. In any event, we're not here to praise or to bury Meta, we're here to praise what has become a very good chart, and one leaving the rest of FANG behind. And this was prior to the last few days when growth became the new defense. It's not just growth at any size, of course, it's big growth –Microsoft (276), Salesforce (187), Nvidia (255) and Apple (156).

The overall technical background isn't as bad as you might think. The S&P had fallen below its 200-day, but you might notice it often dances around that number. The 50-day remains above the 200 and is less prone to the dance. Another trend following indicator we use remains up, provided there's no weekly close below 3845. Like most trend following indicators, it's only right 45% of the time. Like most trend following indicators, you make four times as much as you lose – you avoid the big losses. The last buy signal was at the end of October. There's no question we have seen selling that can only be described as intense – a spate of 5 days where 3 saw 90% of the S&P components lower. More important than the recent weakness, however, still seems the momentum surge off of the October low. Even intense selling did not negate the positive implications of this kind of surge, at least historically.

When things change, Keynes once observed, you should change as well. Things change but rarely as quickly as they did this week. While we should be leaving time for the dust to settle, a couple of things seem clear. The economically sensitive stocks fell out of favor this week, on the perception the economy will suffer from the banking debacle. While perceptions aren't always reality, in the stock market they often can be more important. At the same time, areas perceived to be immune to such problems were the winners – growth stocks turned to defensive stocks. And clearly, bigger was better. The economy won't fall apart, so stocks like Grainger (681) and Parker Hannifin (314) will recover, as the dust settles. Gold caught a bid finally, and that "safe haven" Bitcoin did as well.

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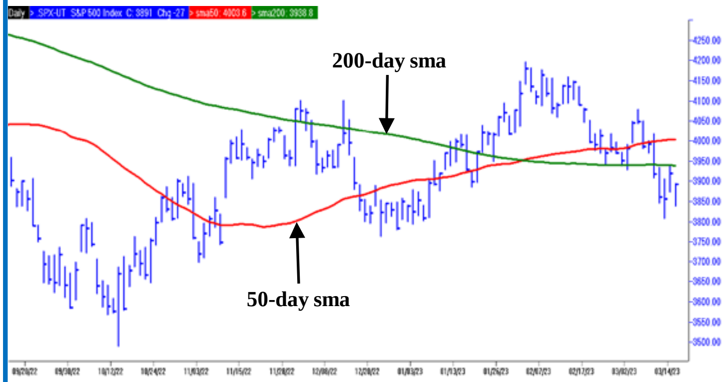
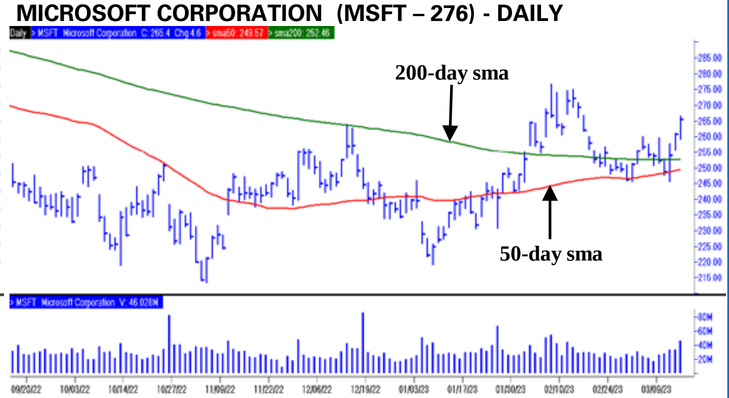
S&P 500 (SPX – (3956) – DAILY



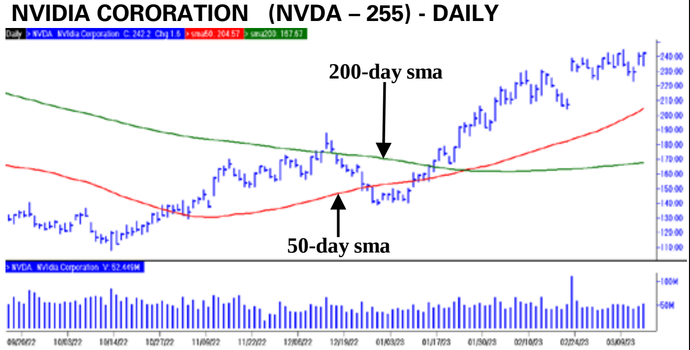
NASDAQ 100 (NDX – 12581) – DAILY

META PLATFORMS INC. (META – 205) - DAILY

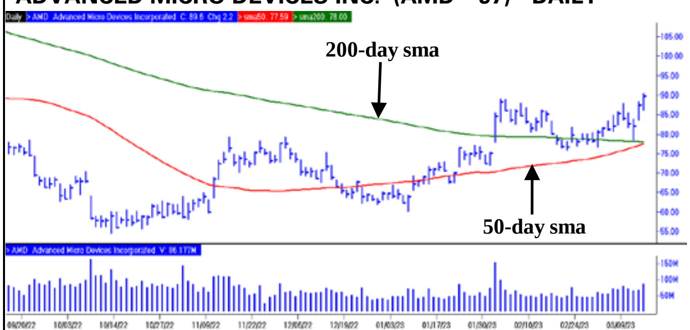
MICROSOFT CORPORATION (MSFT – 276) - DAILY



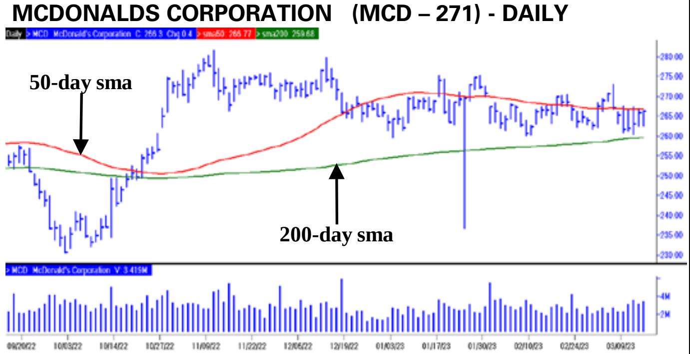
NVIDIA CORORATION (NVDA – 255) - DAILY



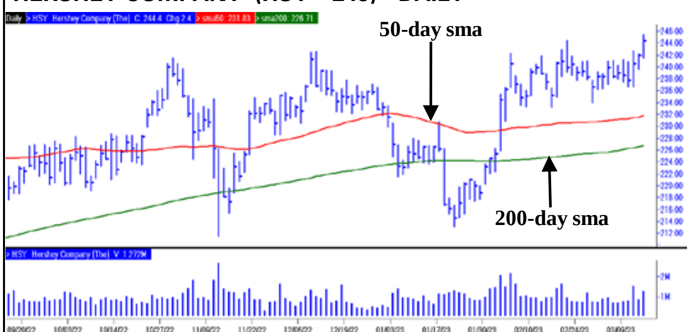
ADVANCED MICRO DEVICES INC. (AMD – 97) - DAILY



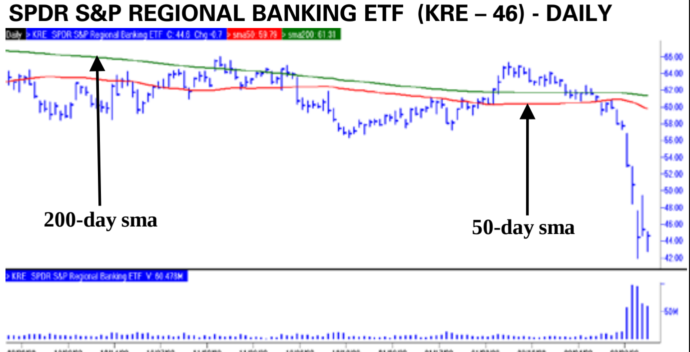
MCDONALDS CORPORATION (MCD – 271) - DAILY



HERSHEY COMPANY (HSY – 245) - DAILY



SPDR S&P REGIONAL BANKING ETF (KRE – 46) - DAILY



JP MORGAN CHASE & CO. (JPM –131) - DAILY