Wellington Shields

EQUITIES PERSPECTIVE

March 31, 2023
DJIA: 32,859

Forget bifurcated…this market is trifurcated. When someone says what's the market doing, even in terms of the Averages you almost have to ask, which one? There's the NASDAQ 100, not to be confused with the NASDAQ Composite, which is in its own bull market of sorts. The NAZ 100, also known as the Triple- Qs, is home to Tech to the tune of some 80%. For now at least, Tech is seen as a safe haven of all things, immune to the news in banking. The S&P 500, in turn, seems held together by its own heavy weighting in Tech, names like Microsoft (284), Apple (162) and the like. The problem for the S&P is its own more than fair share of Financials, and Industrials that have suffered recently in the wake of the banking mess. Finally, there's the Russell 2000, where Regional Banks are some 17% of market cap. Throw in ancillary financials like REITs and Insurance, and you can see why the chart looks as it does.

Bank shares, whether large or small, have been crushed. The unanimity of the decline doesn't happen very often, and it usually means bad things for those all around. When banks fall relative to everything else, as they have recently, everything else tends to follow. It seems banks do matter to the economy. When they're in trouble most of the economy has trouble as well. The counterpart here is that this will lead to lower rates and hence the overall market's somewhat indifference. There is, however, a fine line here. If troubled banks damage the economy, it will only be because of that rates fall. We would like to think that last year's 20% decline and multiple contraction may have discounted declining profits, but only time will tell.

In the long run earnings of course matter, but the long run is just that, and many things come into play in the interim. An obvious example is last year when earnings were up and the market was down, that because of the Fed's tightening. Suppose this year the Fed is close to being done? Or, suppose the "E" In P/E is not for earnings but is instead for efficiency. Look what efficiency did for Meta (208). Or suppose like Baba (103) more companies decide to divide. It was worth more than 10% to Baba's stock on Tuesday. Sure this is all more than a little far-fetched, but earnings are not alone in driving stock prices. When the market wants to go higher it always seems to find a way. Maybe prices will drive higher when we all give money to someone to buy something about which we know nothing. Come to think of it, we've already done that.

The problem for now is not earnings, it's the technical background. We've been in this correction since early February, exacerbated by the banking mess. You might say all things considered the market has held together reasonably well, and to a degree that's true. Still, holding up isn't going up, and many stocks haven't been holding. Our measure here is not so much the Averages but what most stocks are doing. During this correction NYSE stocks above their 200-day average have gone from 74% in early February to last week's low of 36%. If this is a decent proxy for stocks in uptrends, it means almost 2/3 of stocks are in downtrends. And that means it's hard to make money. There's no magic number here, it simply has to turn back up again.

The recent action has been more encouraging. While we make light of it, we always take note when the market has its chance to do something but does not, in this case, go down. And the Advance-Decline numbers recently have held together pretty well. We especially like days like Tuesday when the Dow and the S&P showed modest losses, but the A/Ds were positive. This should be a prelude to improvement in stocks above their 200-day and, therefore, a better market. While Tech clearly leads, the Econ sensitive stocks seem to be regrouping. To look at a stock like Cintas (468), which should have its finger on the pulse of the economy, you might ask what recession. While history says the banks drag down the rest, maybe this time Tech drags up the rest.

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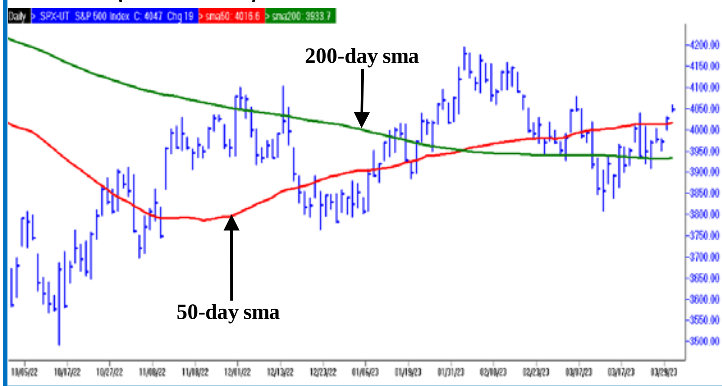
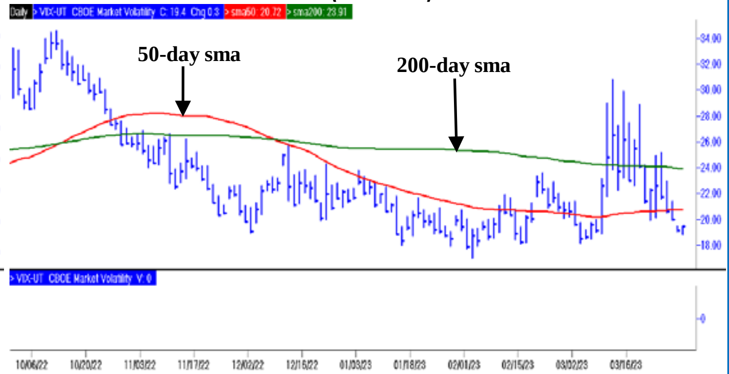
S&P 500 (SPX – 4050) – DAILY



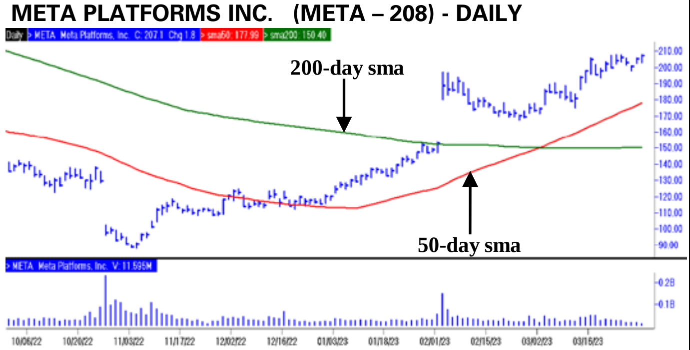
NASDAQ 100 (NDX – 12963) – DAILY

RUSSELL 2000 INDEX (RUT – 1769) - DAILY

CBOE MARKET VOLATILITY (VIX – 19) - DAILY

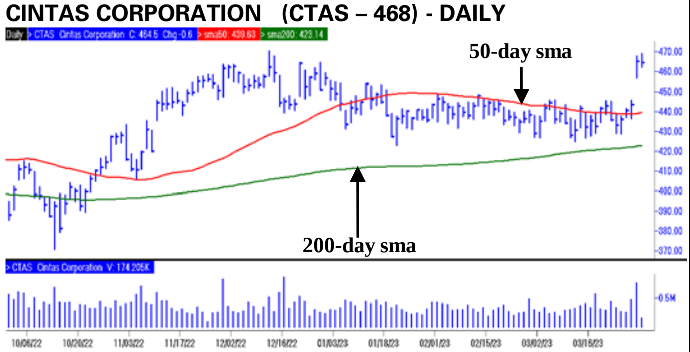


META PLATFORMS INC. (META – 208) - DAILY



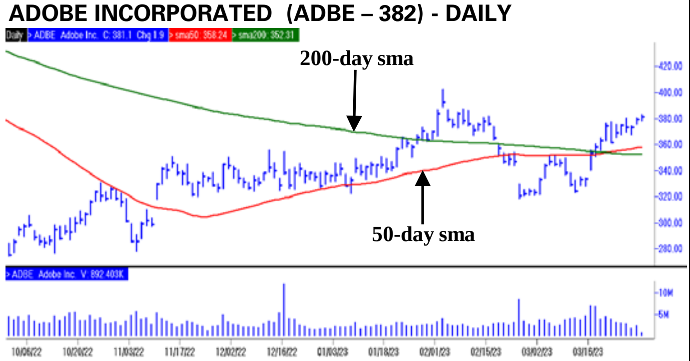
ALIBABA GROUP HOLDING LTD ADS (BABA – 103) - DAILY

CINTAS CORPORATION (CTAS – 468) - DAILY



GRAINGER W.W. INCORPORATED (GWW – 669) - DAILY

ADOBE INCORPORATED (ADBE – 382) - DAILY



ORACLE CORPORATION (ORCL – 91) - DAILY