Wellington Shields

EQUITIES PERSPECTIVE

April 14, 2023
DJIA: 34,029

If the past is any guide … things are looking up. In the stock market history tends to repeat because human behavior tends to repeat. And, too, sometimes it's just a mystery. Fund flows at the start of any year tend to boost prices for a time. Just why that should carry forward throughout the year is hard to say, though it makes some sense that a good and usually predictive first quarter could set the tone for the year. And, indeed, when the first quarter doesn't take out the lows of December it has led to higher prices April through December some 93% of the time. It makes some sense that following a bad year like 2022, a good start would follow through April to December. In a bad year it makes sense that Tech might suffer most, so when the S&P Tech sector cycles from only 25% positive to 75%, it makes sense that it and the S&P would have a good April to December. So maybe it's not so much of a mystery.

The S&P peaked the first week of February and more importantly, most stocks peaked around that time as well. The extent of the decline has been a bit surprising, not in terms of the S&P but in terms of the damage to most stocks. NYSE stocks above their 200-day peaked at 74%, dropped all the way to 36%, and is only around 43% at present. When fewer than half of the NYSE stocks are up in uptrends, that is, above their 200-day, we are still in a correction. It has, however, affected stocks and even markets differently. Until last week, Tech had been pretty much immune. And while they haven't exactly fallen apart, Tech has corrected as likely was their due. This correction, however, was more rotation than correction as a number of Healthcare shares came to life for the first time since mid-December.

Given how long Healthcare had remained dormant, this change seems an important development for those stocks. And it seems important development for the market as well. It's one thing to just have a group like Tech consolidate for time, but in this case there has been something, and a not a so insignificant something, come along to take its place. That has kept NYSE Advance-Decline numbers reasonably healthy, something we obviously consider important. Indeed, the A/Ds were even flat in Wednesday's confused market, and have been positive 11 of the last 14 days, something we think keeps recovery prospects intact. Those numbers are not bad, especially considering the still lagging Financials, of which there are many. And, of course, be wary of any bad up-days.

While the bank crisis might be over for now, try telling that to the bank stocks. The banking crisis is one thing, the crisis in banking seems another. There almost seems an excitement that a bank like First Republic (14) will survive, missing the point will it ever thrive. To look at the charts, it's rare to see such uniformity and unanimity in any group. And it suggests the problems besetting the banks are affecting them all. The charts for now suggest exactly that – survival. Even that, however, is tentative in that the stocks merely have stopped going down, consolidating in their downtrends. With barely a pulse, there's the risk of new breakdowns.

We have been waiting for a pullback to buy Gold, and you know how that works. We should have done what we usually do, try a little, more if it works, if it doesn't – kick it. So that's our intention and our advice now. Meanwhile, we have noticed the breakout in Bitcoin stocks like Riot (14), Grayscale (18), Marathon (12) and BITO (18). Aside from the charts, and recognizing Bitcoin is pretty much synonymous with controversy, we can't help but be impressed by how well it has acted in light of the collapse of FTX and Silvergate, and the regulatory problems for Coinbase (69). BITO is an ETF which holds futures contracts while GBTC is a trust which would like to become an ETF, so far without success. The kicker here, so to speak, is a successful switch would likely narrow the spread between the current price and NAV closer to 25.

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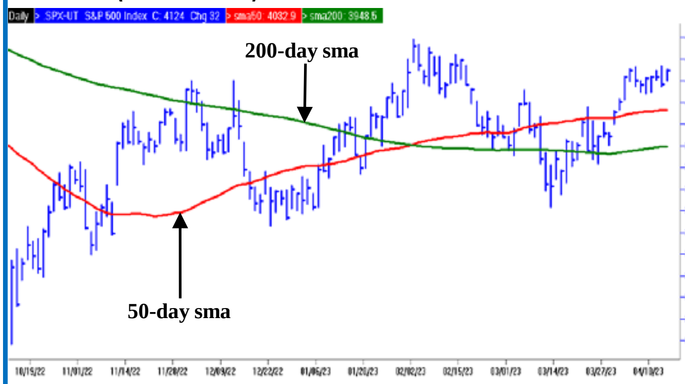
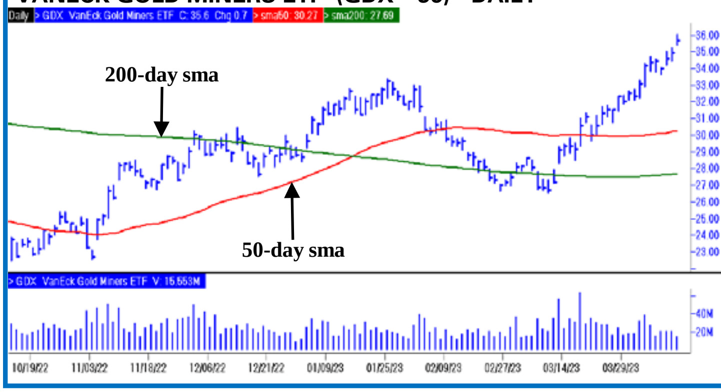
S&P 500 (SPX – 4146) – DAILY

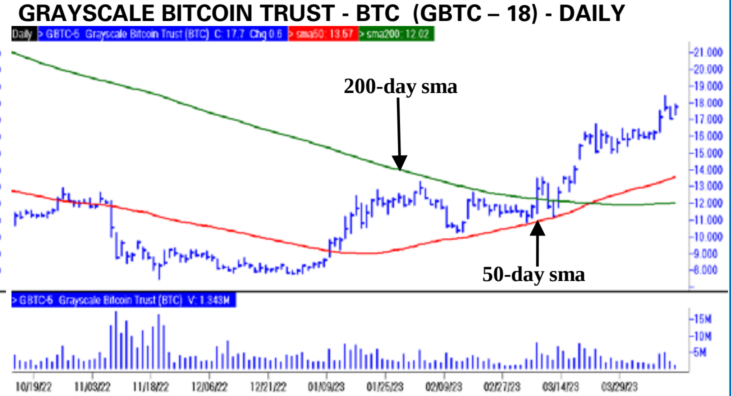


NASDAQ 100 (NDX – 13109) – DAILY

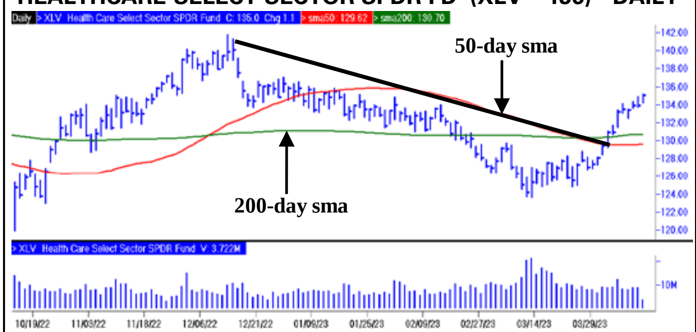
VANECK GOLD MINERS ETF (GDX – 36) - DAILY



GRAYSCALE BITCOIN TRUST - BTC (GBTC – 18) - DAILY



HEALTHCARE SELECT SECTOR SPDR FD (XLV – 136) - DAILY



JOHNSON & JOHNSON (JNJ – 166) - DAILY

SPDR S&P REGIONAL BANKING ETF (KRE – 43) - DAILY

SELECT SECTOR SPDR TR - FINANCIALS (XLF – 33) - DAILY

AXON ENTERPRISE INC. (AXON – 223) - DAILY

CROCS INCORPORATED (CROX – 131) - DAILY