Wellington Shields

EQUITIES PERSPECTIVE

April 21, 2023
DJIA: 33,786

Don't fight the Fed … but that fight might be over. They won't ring a bell when the Fed is through, but it seems pretty clear May should do it. Sure they won't be lowering rates anytime soon, but at least the fighting part seems done. If you think by data dependent the Fed means inflation dependent, there's good news there as well. To even the casual observer it seems inflation at least has peaked, but an article in Barron's took this idea a step further. If rather than a 12-month trailing measure of inflation, use numbers from the summer when hikes began to take effect. The Fed-watched PCE rose at a 3.3% annualized rate in the eight months July through February, a lot closer to the Fed's target than the 12-month 5% number. Here again, the fight seems well along its way to having ended.

So there seems a case for a new bull market and a strong case the bear market has ended. After all, last May almost 50% of the stocks that traded that week reached 12-month lows, a real washout unlikely to be revisited. Then, too, at S&P 4100-4200 you can go back to last May and see the averages have gone nowhere – though there is an uptrend from the October low. Everyone likes to complain it's a market led by four stocks. It's true the four have accounted for half of the gains in the NASDAQ 100 this year. However, only 25% of the NAZ is down 20% from their 52-week highs versus 80% a year ago. It's not as narrow as you might think. If it doesn't feel like a bull market it might be because of the somewhat incessant rotation. For now you can find four Pharma stocks that look as good or better than those four NAZ stocks.

One place we don't find the rotation so healthy is the late February/early March peak in economically sensitive stocks like Parker Hannifin (319), though by no means is the chart a disaster – look at the weekly. The Fed may be through or close and inflation may be peaking, but there's the concern about the economy in terms of the lagged effects of the Fed's moves. We would be a bit more comfortable with a fundamental back up from the charts. And we would feel a bit better if those regional banks would find a pulse. It's not the banks themselves that worry us, it's the implications for small business, especially commercial real estate. In that regard, the news from Western Alliance Bank (40) on Wednesday was encouraging. There is, too, a rather dramatic irony in this economic debate. Where most layoffs have occurred is in Tech, and the stocks have rallied on the news.

They like to call the first hour of trading amateur hour. That may be a bit unkind, but we tend to agree it has more than its fair share of reversals. By contrast, the last hour is said to be when the pros play, whoever they may be. The last hour is thought to have predictive capability to the point that an indicator was developed to capture this – cleverly called, "the last hour indicator." It simply calculates the gain or loss in that last hour of trading. Positive readings typically mean it's a good market, the logic of sorts is that traders want to be in before the next day's likely up opening. Whatever the logic, like the rest it has its moments, this seemingly one. It has been positive for more than seven consecutive days. In the past this has led to higher prices a month later some 80% of the time, according to SentimenTrader.com.

Say what you will about narrow markets, they have their virtues. Back in the day when it was FANG and FANG only, at least you knew where to put your money. The best Dow stock this week was probably Travelers (180) – can't wait to get some of that good stuff. Tesla (163) seems to cut prices every other day, yet margin contraction was a surprise? While not a particularly good chart recently the market often gives Musk a pass, but not this time. Big still seems best, and when it comes to Tech none are bigger than Apple (167) and Microsoft (286). With its near 40% position in the two the SPDR Tech ETF (XLK-148) would break out again around 152. The overall market generated enough momentum off of the October low and again in late March to strongly argue for higher prices into year-end. We've long noticed, however, the market is on its own schedule.

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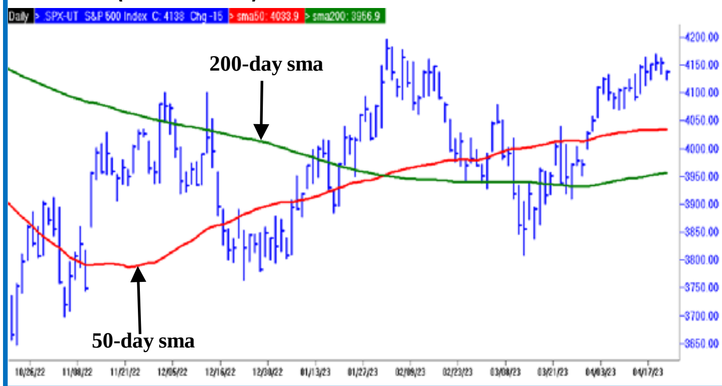
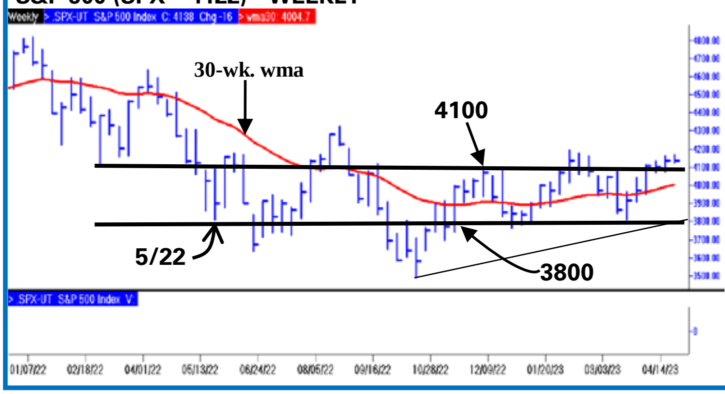
S&P 500 (SPX – 4122) – DAILY

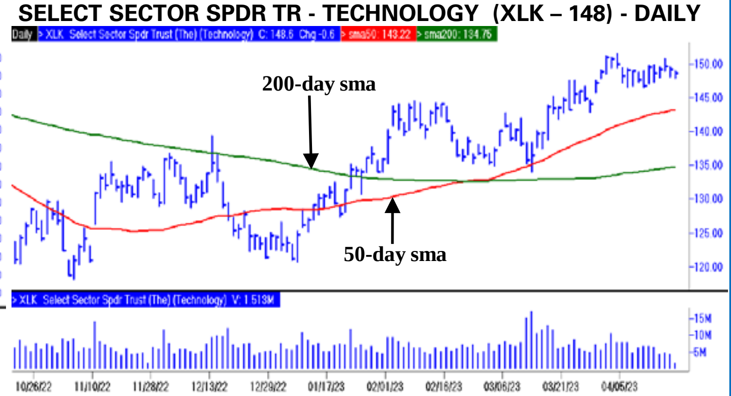


NASDAQ 100 (NDX – 12986) – DAILY

S&P 500 (SPX – 4122) - WEEKLY



SELECT SECTOR SPDR TR - TECHNOLOGY (XLK – 148) - DAILY

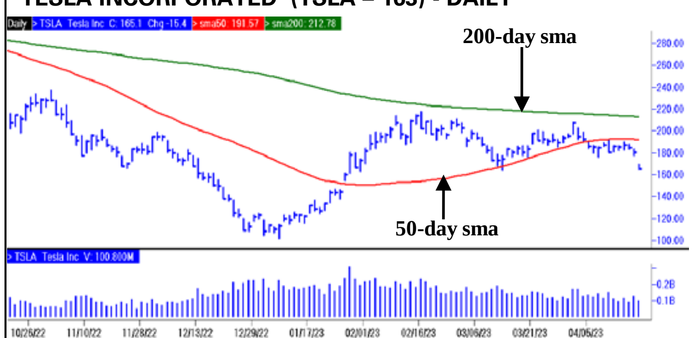


WESTERN ALLIANCE BANCORP (WAL – 40) - DAILY

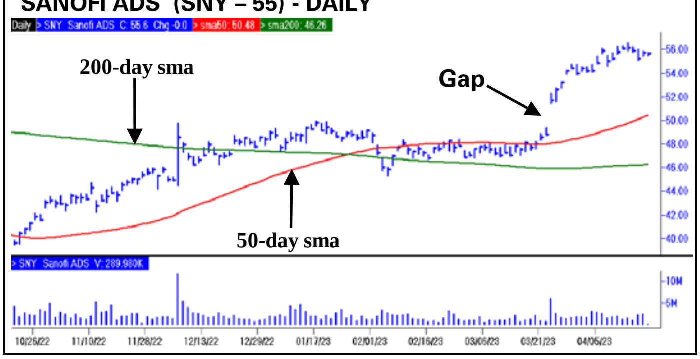
PARKER HANNIFIN CORPORATION (PH – 319) - DAILY

TRAVELERS COMPANIES INC. (TRV – 180) - DAILY

TESLA INCORPORATED (TSLA – 163) - DAILY



SANOFI ADS (SNY – 55) - DAILY



NOVO NORDISK A S ADS (NVO – 165) - DAILY