Wellington Shields

EQUITIES PERSPECTIVE

April 28, 2023
DJIA: 33,826

Sometimes it's not whether you're in … it's where you're in. A former colleague liked to say he always knew he was a good trader, all he needed was a bull market. Studies have shown as much as 80% of the movement in individual stocks can be a function of the market's overall trend. It does indeed help to have that market wind at your back. If you look at this market, however, there is no wind, fair, ill or otherwise. Here around 4100 in the S&P is pretty much where we were a year ago. There's always stock picking, but that's hard. Similar but less difficult is identifying the group or sectors in favor. Being in the right place often is as important as simply being in, and that's particularly so in a market like this. If there is always a bull market somewhere, you also have to keep up when it changes.

As the year began Tech was all the rage. It was so much so that many complained there were only five or ten stocks driving the market. By some measures this did seem the case, yet in February 74% of NYSE stocks were above their 200-day average, that is, in uptrends. The market wasn't as narrow as it looked. By mid-March the number was in the upper 40s, a significant drop and the stocks driving even that number had begun to change. Even with the recent action in Microsoft (305) and Meta (239), the relevant ETFs show Tech has stalled. And since mid-March areas like Consumer Staples and Healthcare have come on to lead. In regard to the former you're likely thinking Procter & Gamble (156) which gapped higher last week. However, Retail is also a significant part of the XLP (77), as stocks like Walmart (151) and Costco (501) also have outperformed. In XLV (132), it's Pharma like Eli Lilly (390) and Merck (115) driving performance, with United Healthcare (490) being its usual erratic self. The Medical Device ETF (IHI-56) is a group of companies whose products we find ourselves using more and more.

Who knew First Republic (6) was so important. In retrospect, seems those big banks knew when out of the goodness of their heart they doled out that $30B lifeline. Then, too, it's a matter of pay now or pay later – the cost of that FDIC insurance certainly would rise in a failure. When you lose 40% of your deposits, your options have dwindled. A rescue would be nice but if the first one didn't work, would you trust the next one? The risk of course is contagion, but that takes a couple of forms. There's the mechanics of the industry, which is above our paygrade, but we can say the charts all look the same. It is hard to believe FRC is the only Regional with a problem. The other contagion risk is what was evident in Tuesday's selloff, the bank problem takes the market lower. The bears have worried all year about disappointing earnings dragging down prices. It's more than a little ironic earnings like those of Microsoft seem to be holding the market together.

There are many reasons to like Gold except for the obvious, it's Gold. When it comes to false starts, were it a runner or a swimmer, it would have long been disqualified. At this point the uptrend is well established and the stocks are in a needed consolidation. Conceptually, when money is being pulled out of banks, could there be a better backdrop? Of course, the same might be said of Bitcoin. A bit of an outlier among areas acting well are the Gaming stocks, BJK (46) being one of the ETFs there. Las Vegas Sands (62) is among the best individual charts, which despite its name has little or no presence in Vegas. Without wanting to read too much into this, seems someone might be benefiting from China's reopening – it's certainly not the Chinese stocks.

We dislike the idea of mechanical buy and sell signals as the market rarely lends itself to rigid determinations. That said, mechanical guides are useful versus just letting your wishful thinking, hope and fear run amok. So we have a sell signal, so to speak, as of yesterday's close. By way of perspective the last such signal was back on 2/14, S&P 4136, with a subsequent buy on March 30, S&P 4151. While not much of a money maker, it did get you on the right side of what little trend there was. And unlike many "signals," it didn't whip you around every other day. So there's this mechanical trend change as well as deterioration in indicators relating to New Highs/New Lows. And stocks above their 200-day now are back to 42%. There's no magic number here, but clearly the number of stocks in uptrends has deteriorated, and to the point it's time for a little more caution.

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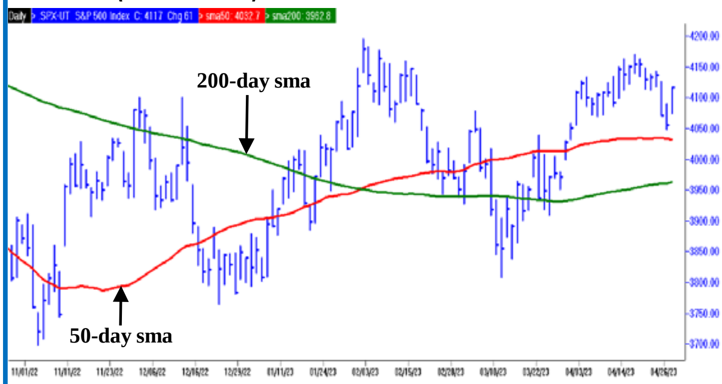
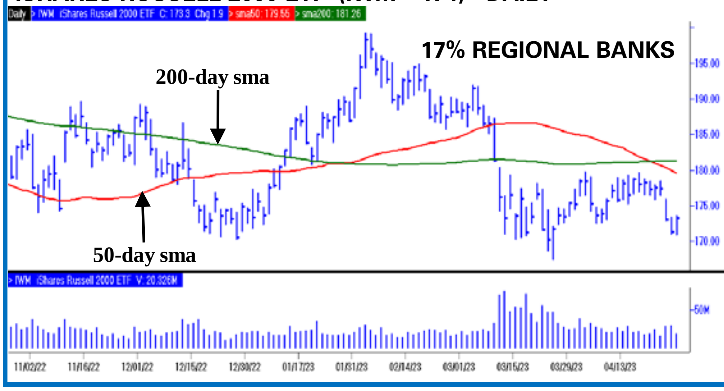
S&P 500 (SPX – 4135) – DAILY

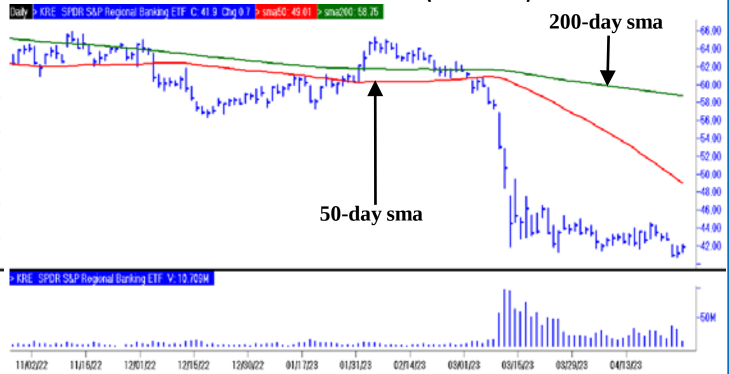


NASDAQ 100 (NDX – 13160) – DAILY

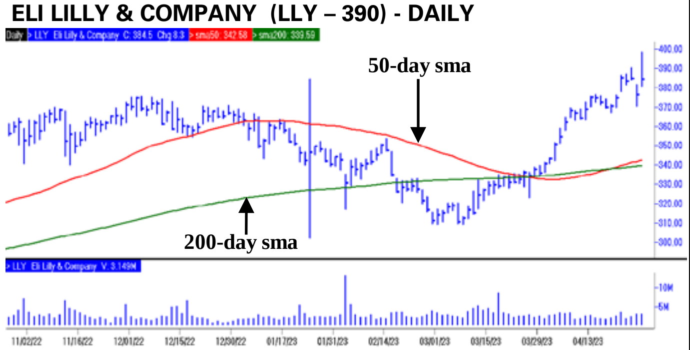
ISHARES RUSSELL 2000 ETF (IWM – 174) - DAILY



SPDR S&P REGIONAL BANKING ETF (KRE – 42) - DAILY

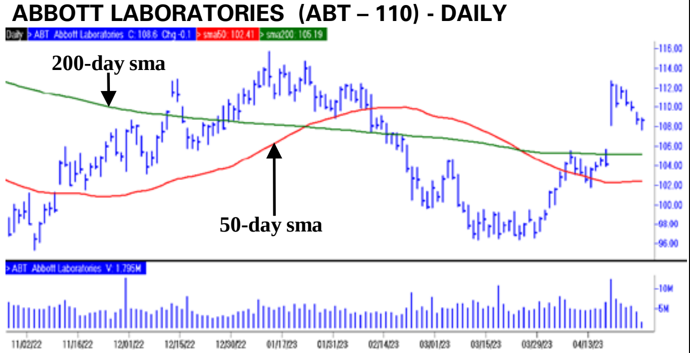


ELI LILLY & COMPANY (LLY – 390) - DAILY

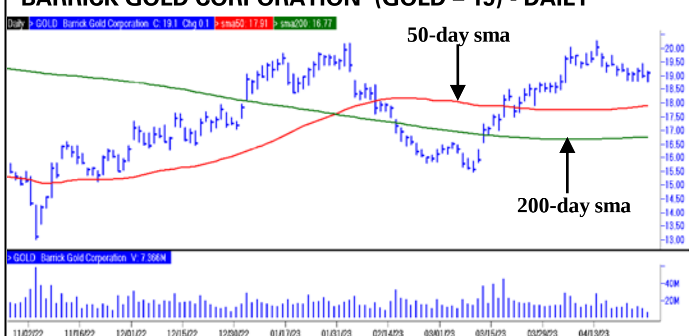


VANECK SEMICONDUCTOR ETF (SMH – 243) - DAILY

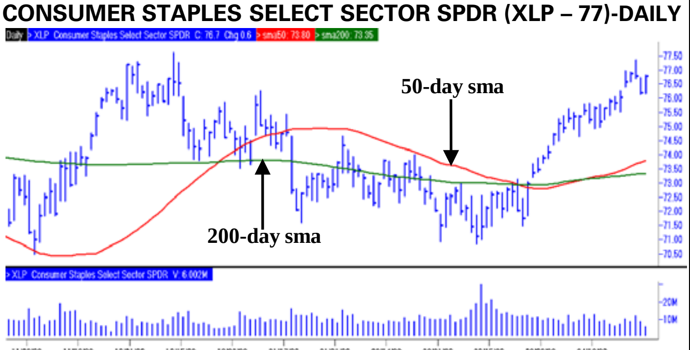
ABBOTT LABORATORIES (ABT – 110) - DAILY



BARRICK GOLD CORPORATION (GOLD – 19) - DAILY



CONSUMER STAPLES SELECT SECTOR SPDR (XLP – 77)-DAILY



LAS VEGAS SANDS CORPORATION (LVS – 62) - DAILY