Wellington Shields

EQUITIES PERSPECTIVE

May 12, 2023
DJIA: 33,309

Go big… or go home. Well, you don't have to go home, but if you don't go big you probably want to go to the sidelines. The ratio of small-cap stocks to large-cap stocks has tumbled to a multiyear low. This proved a warning sign in 2007, but other years not so much. Of course, it does speak to where you want to be in this market, if not specific stocks or groups. It's as simple as Microsoft (310) and McDonald's (295), one sells burgers and one sells software but that's not what matters – they're big. It has been a while since we thought of the FANGs as a group, but we have recently. They have a few things in common as well. And like Apple (174) and Microsoft, the FANGs have almost taken on the mantle of defensive. This narrowing in the market rarely ends well, but clearly it has yet to end.

Whatever happened to that China reopening, the one that hopefully was supposed to lift all ships. A look at Oil pretty much tells you that didn't happen. And China itself again seems to be in trouble. China had a tough time last year, and Tech especially amidst a storm of political controversy. Shares cratered into October, but in doing so created some noteworthy technical extremes. The subsequent rally into January was impressive, but since then selling has resumed. At the time nearly every Tech share was above its 50-day average, but since has fallen to fewer than 7%, according to SentimenTrader.com. Looking at stocks above the 200-day, more than 95% had recovered to that level, but a couple of weeks later fewer than 30% were holding there. While Chinese stocks clearly have suffered, they probably haven't reached an extreme that would suggest the high probability of a durable rebound.

When they're worried about their bank deposits for goodness sake, this should be a more than decent backdrop for Gold. While there's only so many bars you can bury in your backyard, there are ample opportunities here including many old fashion mutual funds. Or, if you're feeling pretentious, you can always stuff a couple Krugerrands in those penny loafers. Perhaps the most compelling argument for Gold is what seems an important peak in the dollar, and what seems an imminent further break. We are always uncomfortable when stocks or markets have an opportunity to go up but fail to do so. The stocks have done nothing wrong in terms of their patterns, but we didn't buy them to have them do nothing wrong. And we sometimes find that if you give charts doing nothing wrong enough time, they will do something wrong. Realistically, time sometimes takes time and in this case they may need that break in the dollar. For GDX (34) a move above 36 should extend the uptrend.

Semiconductor stocks were not created equal, and certainly not equal to Nvidia (286), or even AMD (97). Indeed, to look at the SMH ETF (123) over the last six weeks they haven't been so wonderful, even dropping modestly below their 50-day average. This hasn't been in every case just a drift as the gap lower in Qualcomm (104) a week ago makes clear. As a key supplier to Apple, it left some surprised at that company's report. Skyworks (97) is another whose disappointment resulted in a gap, and there are others. The point being like the Averages the strength in the Semis is the result of a few, while others have shown surprising weakness. One of those few is AMD which itself did show some weakness last week. The break and subsequent sharp recovery, breaking the late march downtrend, in this case has left it with a dynamic looking pattern.

There was nothing in April's numbers to suggest the Fed should feel it has to keep raising, nothing to suggest they should start cutting. The futures may be pricing in the latter, but be careful what you wish for here. The only easy path to easing is if something goes wrong, and something going wrong wouldn't be good for stocks. The going wrong, of course, looks to be the Banks and other Financials generally. Rather than going away, the banking issue seems to feed on itself, or is that why it's called contagion. We find it amusing that it's still about blaming the short sellers rather than the reason for the short selling – the bankers. Stocks above the 200-day have been hovering around 40% recently, but it's relative. With the big-cap Averages hovering around their highs, it's a big negative. Certainly this number can drift lower as the big-cap dominated Averages continue higher, but you might want to recall the "nifty 50" or the "dot-com" days. Narrowing or diverging markets eventually end poorly.

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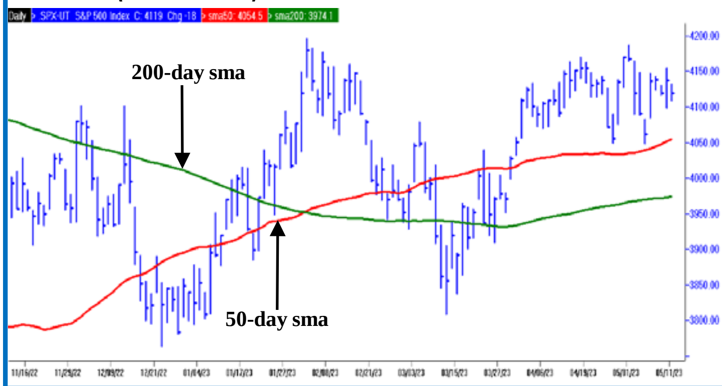
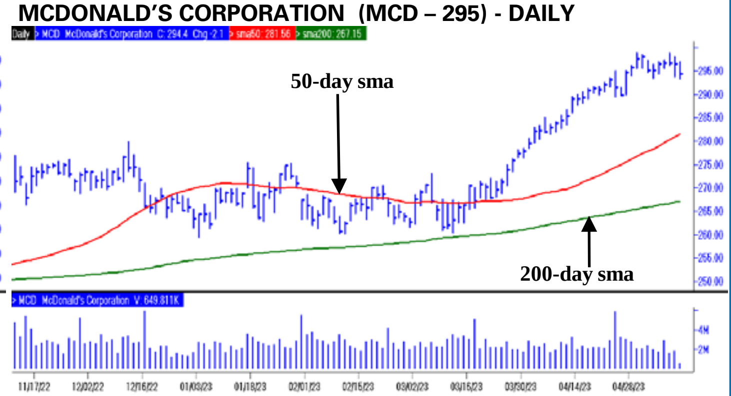
S&P 500 (SPX – 4130) – DAILY



NASDAQ 100 (NDX – 13389) – DAILY

MICROSOFT CORPORATION (MSFT – 310) - DAILY

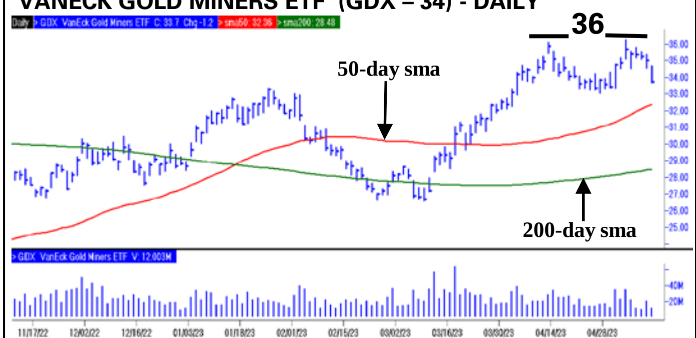
MCDONALD'S CORPORATION (MCD – 295) - DAILY



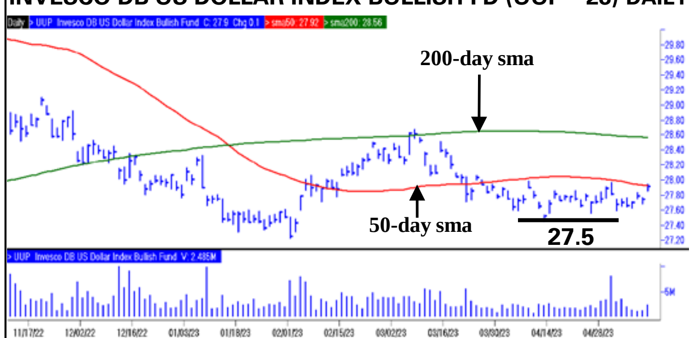
VANECK SEMICONDUCTOR ETF (SMH – 123) - DAILY

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

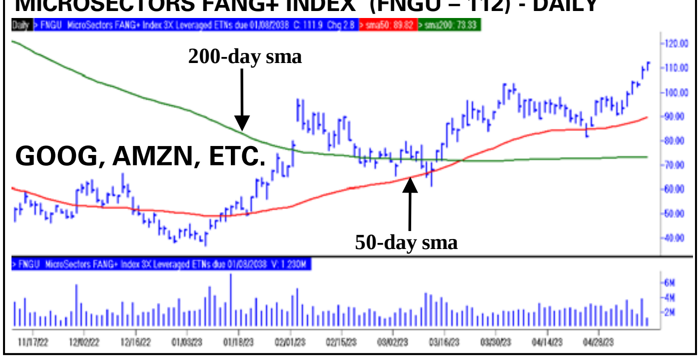
VANECK GOLD MINERS ETF (GDX – 34) - DAILY



INVESCO DB US DOLLAR INDEX BULLISH FD (UUP – 28)-DAILY



MICROSECTORS FANG+ INDEX (FNGU – 112) - DAILY



KRANESHARES CSI CHINA INTERNET ETF (KWEB – 28) - DAILY