

EQUITIES PERSPECTIVE

May 19, 2023
DJIA: 33,535

Buy the S&P or sell the S&P... Yes! And you thought we couldn't take hedging to a new level. There is, of course, the S&P Index and it is pretty much the benchmark for the world. The other S&P to which we are referring is the so-called Equal Weight S&P, where all stocks are created equal by market cap. In this case equal isn't such a good thing since it's the larger cap stocks that are in favor. These dominate the Averages by virtue of their market weight construction. If you're thinking Tech for the most part you're right, but don't forget a few names like McDonald's (294). The distinction between these two measures of the S&P these days is a bit dramatic. The Index has traded in a range since mid-April, just below the early February high. The Equal Weight Index by contrast is below its April peak which, in turn, is below the January peak. It's a narrow market favoring the big.

Good markets always have their leadership, and that leadership by definition outperforms and like now sometimes significantly so. It's not something to lose sleep over, as stocks will always be better than others and the better tend to dominate. So when 5 or 10 stocks account for most of the gain in the S&P, it happens. When it's a problem is when the rest of the Index isn't following – when the rest of the Index is moving down. Measures like the Advance-Decline Index and stocks above the 200-day average show this as well. Stocks above their 200-day are hovering around 40% while the averages dance around their highs, a rather dramatic discrepancy. We wish we could say there's some magic number here, but there is not. We can say the many eventually drag down the few, but the key word here might well be eventually.

They like to call this market a trading range, but which market? The NASDAQ certainly isn't a trading range, even the Composite let alone the NDX. The Russell 2000 has been in a trading range since its mid-March low, but that range is well down from its earlier February high. The S&P has been range bound of late, but well up from the March low, which in turn was up from the December low. If you look at the series higher lows from last October, it's an uptrend. The problem is the average stock is different. NASDAQ A/Ds made a new low not long ago. If the NAZ is literally 100 stocks, let's further refine it to 10 via the Micro Sectors FANG Plus Index, FNGU (133). It's clear what's working, and you have to be careful with the rest. When the Averages are doing well, it's easy to hope the others will come along, but you know what they say about hope as an investment strategy.

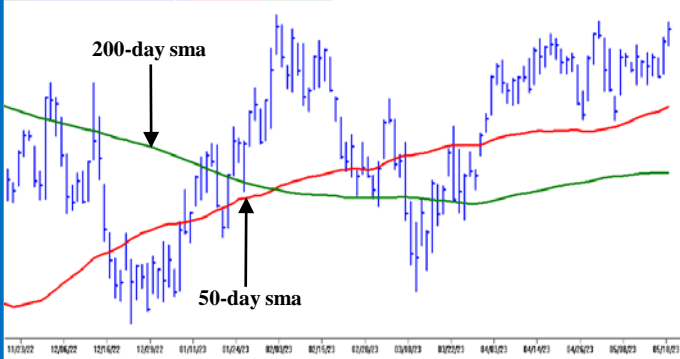
So why can't the few drag up the many? In theory we suppose they could, it just never seems to work that way. The explanation here we suspect is sideline buying power – there isn't enough to continue to push up all stocks, just enough to push up strong stocks and eventually not even enough for them. Sideline buying power or liquidity is only restored in an eventual market correction. Meanwhile, enjoy it while you can. These diverging markets can last for a while, including through 1972 and 1999. There was money to be made as long as you were in the Nifty 50 or the Dot-com's. The leaders will be the last to give it up as will the big-cap beverages they include. There's an old Wall Street story about a wonderful party, everyone was having a good time and no one wanted to leave, yet they knew it would end – but the clock had no hands.

The Advance-Decline Index is another proxy for the average stock versus the stock averages. It peaked in early February, had a lower peak in mid-April, and a pattern of lower peaks since then. In other words, it's very similar to the unweighted S&P, and other measures showing the bifurcation. Recently, however, the A/D numbers have been mixed. We have long pointed out it's not bad down days but bad up days that cause problems. Recently we saw a day with the Dow basically unchanged and 700 net declining issues – not a good day. Then there was a modestly up day with 1300 net advancing issues. Given how selective the market has been we are almost surprised the numbers haven't been worse. That said you don't want to see them become worse. Those up days with poor A/Ds are a warning.

Frank D. Gretz

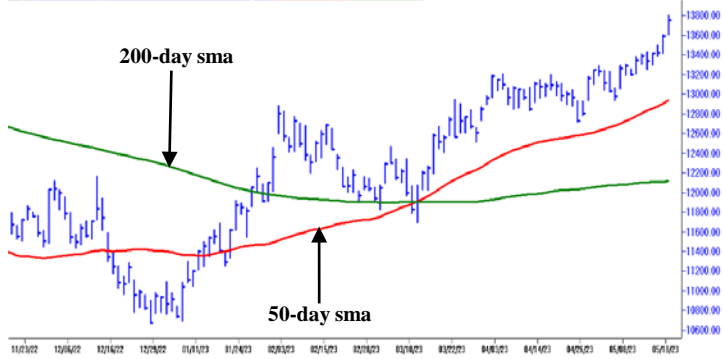
S&P 500 (SPX - 4199) - DAILY

Daily S&P 500 Index C: 4176 Chg 11 > sma50 4057.7 > sma200 3976.5



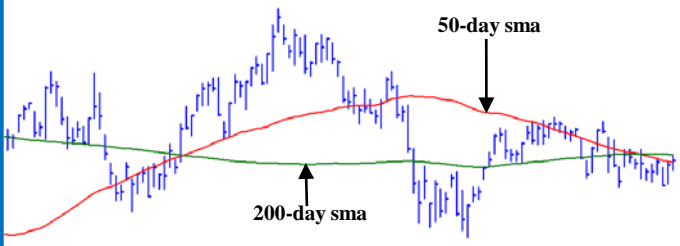
NASDAQ 100 (NDX - 13834) - DAILY

Daily NASDAQ 100 Index New Calculation C: 13765 Chg 161 > sma50 12958.2 > sma200 12117.0

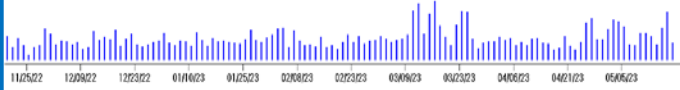


INVESTCO S&P 500 EQUAL WEIGHT ETF (RSP - 143) - DAILY

Daily RSP Investco S&P 500 Equal Weight ETF C: 142.4 Chg 0.9 > sma50 141.00 > sma200 142.91

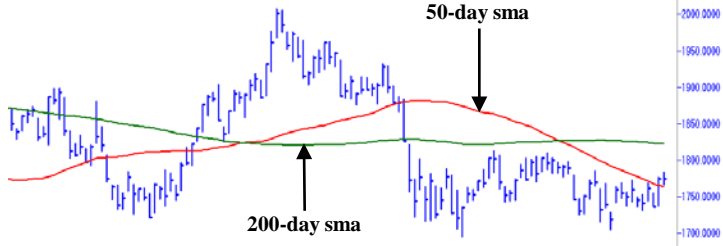


RSP Investco S&P 500 Equal Weight ETF V: 2.530M

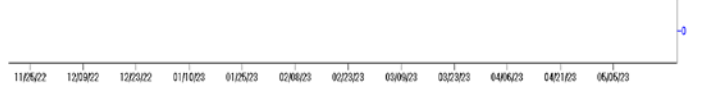


RUSSELL 2000 INDEX (RUT - 1787) - DAILY

Daily RUT Russell 2000 Index C: 1774.9 Chg 0.1 > sma50 1763.7 > sma200 1822.1

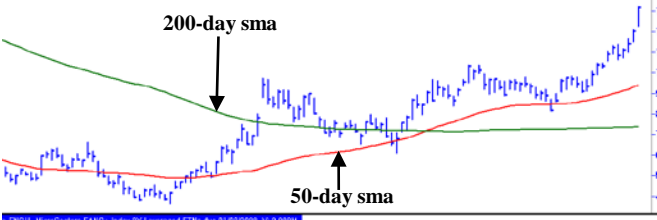


RUT Russell 2000 Index V



MICROSECTORS FANG+ INDEX (FNGU - 133) - DAILY

Daily FNGU MicroSectors FANG+ Index DL Leveraged ETFs due 01/08/2038 C: 131.6 Chg 1.1 > sma50 94.15 > sma200 73.95

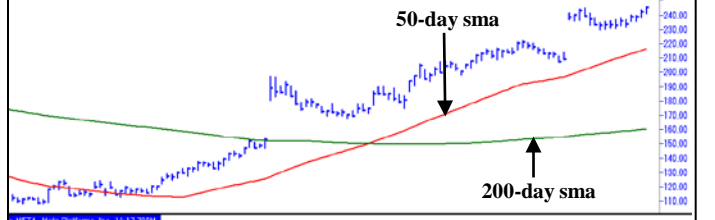


FNGU MicroSectors FANG+ Index DL Leveraged ETFs due 01/08/2038 V: 2.990M

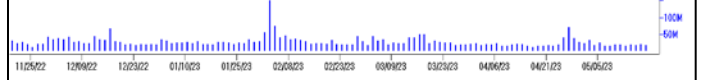


META PLATFORMS INC. (META - 247) - DAILY

Daily META Meta Platforms, Inc. C: 245.4 Chg 2.3 > sma50 218.41 > sma200 180.55

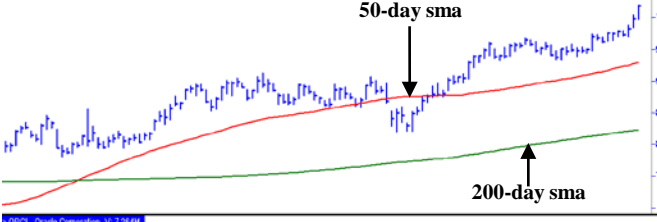


META Meta Platforms, Inc. V: 17.700M



ORACLE CORPORATION (ORCL - 102) - DAILY

Daily ORCL Oracle Corporation C: 101.9 Chg 2.1 > sma50 91.36 > sma200 82.32

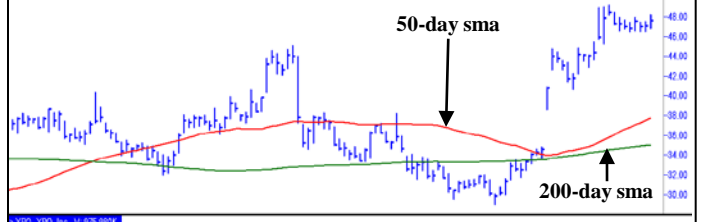


ORCL Oracle Corporation V: 7.254M

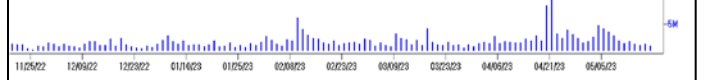


XPO, INC. (XPO - 48) - DAILY

Daily XPO XPO, Inc. C: 47.8 Chg 0.5 > sma50 37.26 > sma200 35.05



XPO XPO, Inc. V: 476.980M



SUN MICRO COMPUTER, INC. (SMCI - 165) - DAILY

Daily SMCI Super Micro Computer, Inc. C: 164.3 Chg 10.5 > sma50 117.99 > sma200 94.83

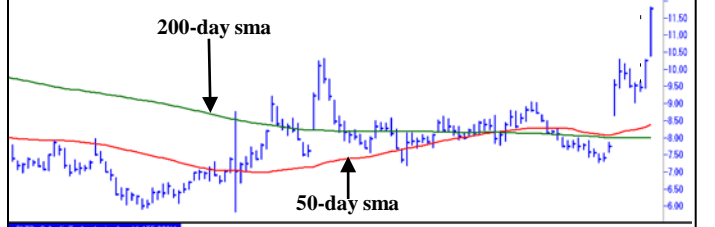


SMCI Super Micro Computer, Inc. V: 2.963M



PALANTIR TECHNOLOGIES INC. (PLTR - 12) - DAILY

Daily PLTR Palantir Technologies Inc. C: 11.7 Chg 1.8 > sma50 8.39 > sma200 7.99



PLTR Palantir Technologies Inc. V: 155.221M

