Wellington Shields

EQUITIES PERSPECTIVE

June 16, 2023
DJIA: 34,408

Trend isn't just your friend … it's your nearest, dearest, bestest buddy. Look at what trend has done for Tesla (256). When it recently got on one, it stayed on one 13 days through Wednesday, without so much as one down day. Consider, too, Tesla isn't exactly known for a lack of volatility. Sure the market's new dynamics has played a role, but not even Nvidia (427) can match Tesla here. There is, however, another and more mundane stock that is perhaps our favorite example of a consistent uptrend. Those of us who trade, and a measure favored by IBD, know the weighted 21-day moving average. The weighting here simply means day 21 counts for 21 times as much as day one. It is as they say, a very fast-moving average, one which very closely hugs the price action. Since the start of the year, GE has gone from 65 to 105 without falling below its 21-day weighted moving average.

Meanwhile, the backdrop seems to be filling in the bull market blanks. Forever it seems it has been "don't fight the Fed." Now if not over, the fight seems close to over, and the Fed won to look at recent CPI and PPI numbers. Of course, only the Fed would remain data dependent while the data they depend on is old news. You would think they've never heard of the lagged effects of monetary policy but hey, nobody's perfect. So that just leaves the looming recession standing in the way here. And while well-advertised, it doesn't mean it won't happen. We just think there will be no significant downturn, and we say that after consulting with the charts of Grainger (744), Cintas (492), Ingersoll Rand (65), Lincoln Electric (196), Eaton (197), and Parker Hannifin (374) – the latter was used by Greenspan as an economic indicator. These economically sensitive stocks are at or are near all-time highs. We doubt this would be the case if we were facing a severe downturn.

The bear market was itself unconventional, perhaps helping to explain why many are uncomfortable with this new uptrend/bull market. When it comes to the bear market, even its low seems misunderstood. Most call October the low, true enough if you're talking about the market averages. When it comes to the market in terms of the average stock, the low was last June. Last June was a washout low, October was what they call a secondary low, a low with less selling pressure. In turn, that has left the recovery a bit disjointed, and complicated by ongoing rotation. And then, of course, there was the setback of the banking crisis. The NAZ/Tech breakout in mid-May and the S&P breakout a few weeks later were the game changers. You might argue this is when the real uptrend/bull market began. Even now, however, we still have not completely come out of what has been three or four months of base building. Stocks above the 200-day, for example, are still only just about 50%, well below the 70% level of February.

The VIX (14), or Volatility Index is always a bit controversial, often misunderstood, and taken by many to be pretty much useless. The latter, in this case, often have a point. When it comes to market weakness, volatility as measured by the VIX rises out of fear, fear creates selling, and selling eventually creates a market low. However, there is no magic number to the rise needed for such a low, rather it's a peak and subsequent decline in the VIX that signals the panic/selling is out of the way. A low VIX, in turn, seems often to stay low without consequence. Indeed, the VIX currently is at a two-year low as the S&P makes higher highs. Contrary to popular thinking, multiyear lows in the VIX tend to occur in bull markets, not in bear markets. Except for August 2000, every two- year low in the VIX occurred in a bull market, suggesting that at the very least the VIX is not a worry.

They didn't see inflation coming, what makes anyone think they'll see it going. The Fed does seem determined however, probably out of fear of being wrong twice – it's called human nature. Fortunately, the market sees things differently. Even the Fed induced market bashing Wednesday saw 1700 stocks advance, not bad for any day. And Thursday's better than 3-to-1 up day wasn't exactly the "weak rally" about which we forever worry. The numbers, of course, speak to a broadening market. Note the breakout in the Russell despite its 17% weighting in Regional Banks. One group that would further help here is Energy, which had a good day Thursday – especially Nat Gas. But most stocks are at least lifting, and why not. After all, they stopped going down a year ago and since have just been base building. We don't like to sound more bullish on the way up, but in this case things have become more bullish.

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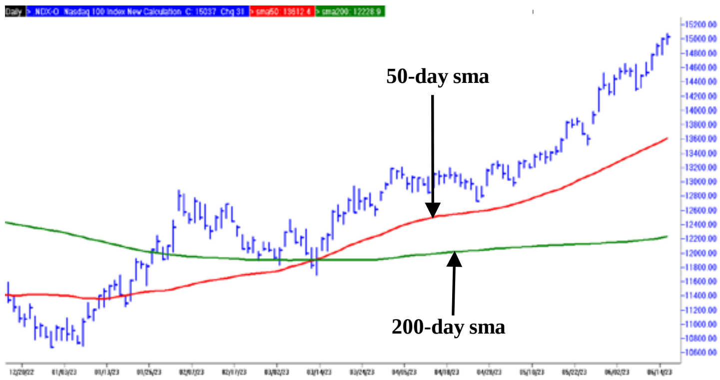
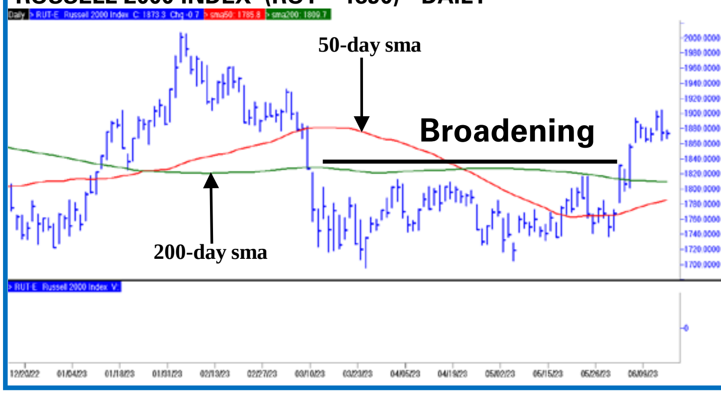
S&P 500 (SPX – 4433) – DAILY

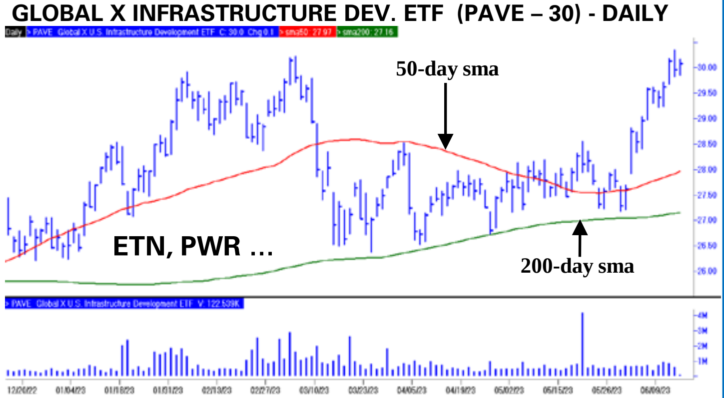
NASDAQ 100 (NDX – 15185) – DAILY



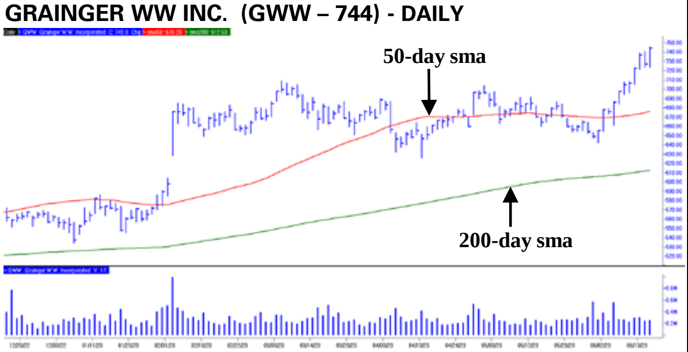
RUSSELL 2000 INDEX (RUT – 1890) - DAILY



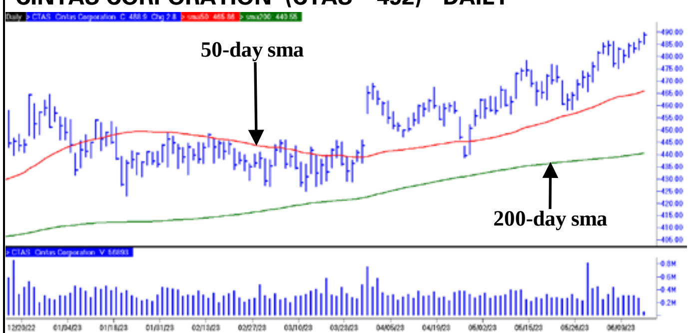
GLOBAL X INFRASTRUCTURE DEV. ETF (PAVE – 30) - DAILY



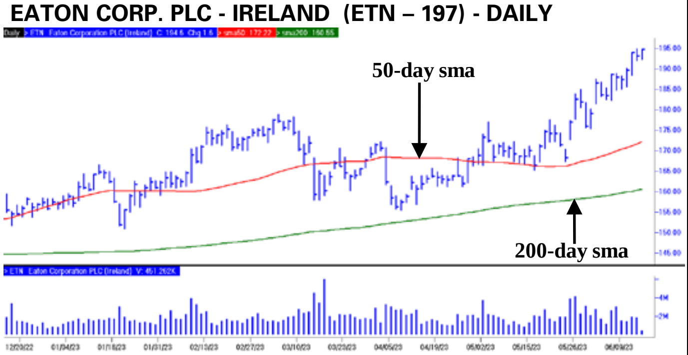
GRAINGER WW INC. (GWW – 744) - DAILY



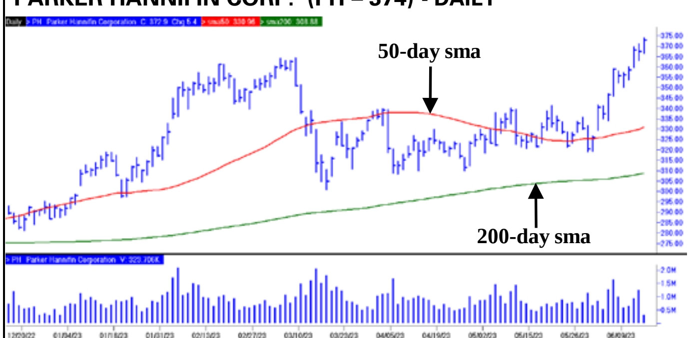
CINTAS CORPORATION (CTAS – 492) - DAILY



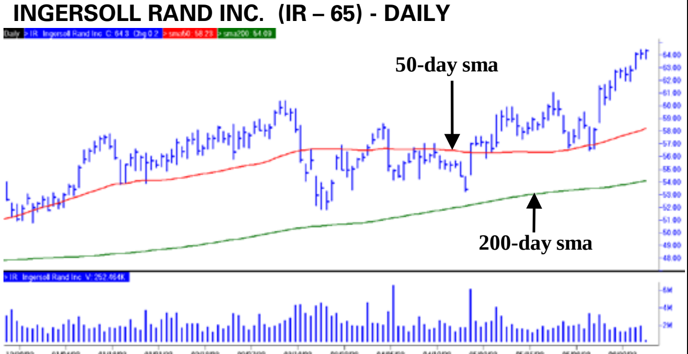
EATON CORP. PLC - IRELAND (ETN – 197) - DAILY



PARKER HANNIFIN CORP. (PH – 374) - DAILY



INGERSOLL RAND INC. (IR – 65) - DAILY



FASTENAL COMPANY (FAST – 56) - DAILY