Wellington Shields

EQUITIES PERSPECTIVE

June 9, 2023
DJIA: 33,833

Turn your back… and it's a new bull market!? So they say, they being those who believe a 20% rally in the S&P makes it so. Fine with us, though it doesn't quite feel like a new bull market. To feel it, you probably have to be in what someone aptly called the Magnificent Seven, and probably little else. Even if you were in uptrends like McDonald's (286) or Microsoft (325), they never seem to go together. It's like Superman, why is it you never see Superman and Clark Kent together? And who amongst us is without sin, that is, a few clunkers. So the S&P has been tough to match, much like the 80s when few owned enough Microsoft to keep up. Apple (181) these days is a 7% position in the S&P, so to speak, while most funds can't hold a 7% position in anything. Whatever you choose to call this market, Friday's rally says they want to go higher.

Last Friday's was a surprisingly good rally, and in ways that were more subtle than most realize. The Dow, for example, rose 700 points, both impressive and not very subtle. Consider, though, the Dow has lagged the NAZ and S&P, making its rally a bit more impressive. Similarly, Friday's 5-to-1 A/D numbers are not unheard of, but they typically come along after a washout sort of selloff. There was more concern than fear about the debt ceiling, and certainly no real weakness. The QCHA is a number from the old Quotron system, which measures how much stocks are up, not just whether they're up like the A/Ds. Friday's was the best day since January, meaning stocks were not just 5-to-1 up, they were up a lot. A number of years ago we used that number in a piece and got a call from Barron's asking where they could find it. We both had a good laugh when we said – Barron's.

Not only were the Friday moves in some individual stocks dramatic, they also seemed technically important. A 17-point move in Caterpillar (234), for example, is an outsized move for that stock. More importantly, it also moved the stock above its 50-day moving average for the first time since mid-March. Similarly, without wanting to be demeaning of our four-legged friends, Dupont (70) has been among them. Here, too, its five-point rally on Friday lifted the stock above its 50-day. Then there are the Regional Banks, a group we had begun to think of as investment shorts, especially in light of the Treasury's required financing. The Regional Bank Index (KRE-44) on Friday also moved above its 50-day. Meanwhile, there were a myriad of Econ-sensitive stocks, already with decent patterns, that performed well – names like Cintas (483), Eaton (188), Fastenal (54), and Parker Hannifin (356). And who knew AI was so dependent on welding – to look at Lincoln Electric (191), you might think so.

What has been a narrow market has not gone unnoticed. And things noticed usually don't matter, or at least they're not the market's undoing. Now things seem to have gone a step further, where some are arguing narrow markets don't matter. While we have heard, but not read the arguments here, we're sure they have their data. Then, too, there's your data, there's my data, and there's the undisputed data. Unfortunately, there's no undisputed data here, the real issue may lie in time frames. Back in 2018 the Dow moved to successive new highs in three days, while the A/Ds were negative each of those days. The market subsequently abruptly fell 20% into the end of December. In 1987 the A/D Index peaked in March, and subsequently showed a pattern of negative divergences against the Averages. While the latter continued to move higher, it didn't matter until October – then came the Crash. Divergences matter, sometimes not until they matter.

While we haven't exactly embraced the Cathie Wood/ARK concept, there are a couple of the ETFs that cover some stocks we like. The ARK Autonomous Technology ETF (ARKQ-53) has a 15% position in Tesla (235), along with Nvidia (385) as one of its top 10 holdings. When it comes to stocks like NVDA, our rule of thumb is the first time you think it's over, you're wrong, and so too the second time. Typically, there's no third time. Momentum like this doesn't go away easily or quickly. Not to dismiss the market's seeming broadening, Tech is leadership, but as Wednesday made clear, there will be setbacks. Meanwhile, stocks above the 200-day have improved to 51%, but here it's progress not perfection. And don't forget those A/Ds, it's not just the Averages that will keep this going, you have to have the average stock as well.

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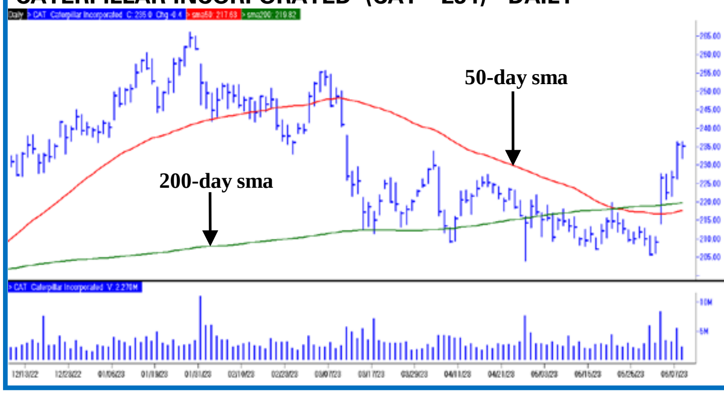
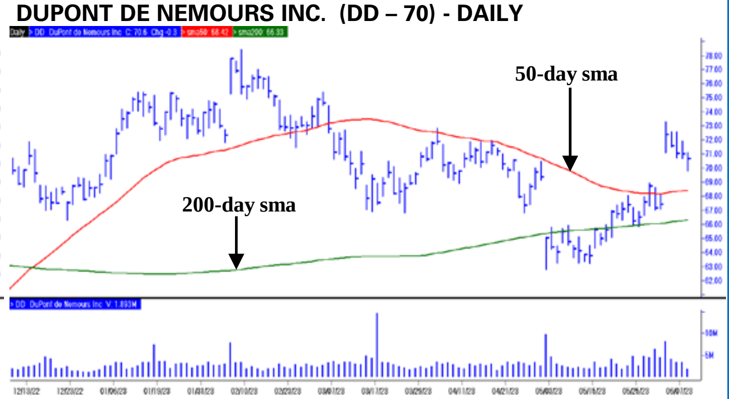
S&P 500 (SPX – 4293) – DAILY

NASDAQ 100 (NDX – 14484) – DAILY

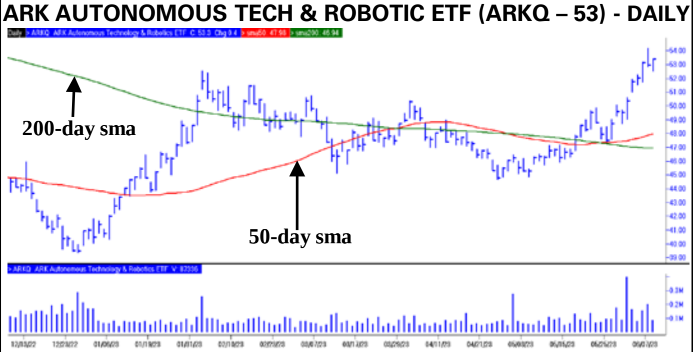
CATERPILLAR INCORPORATED (CAT – 234) - DAILY



DUPONT DE NEMOURS INC. (DD – 70) - DAILY

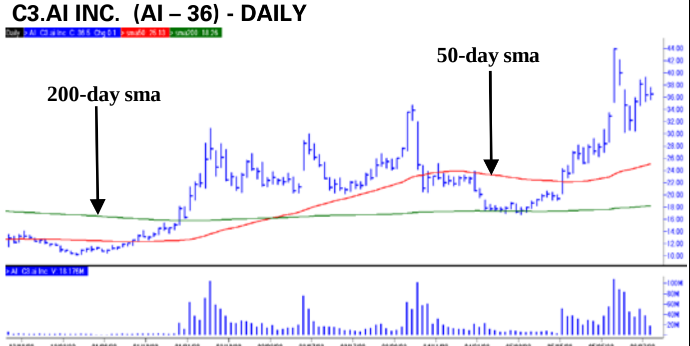


ARK AUTONOMOUS TECH & ROBOTIC ETF (ARKQ – 53) - DAILY

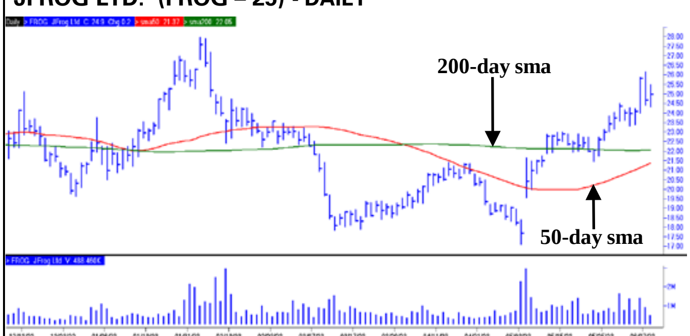


UPSTART HOLDINGS, INC. (UPST – 33) - DAILY

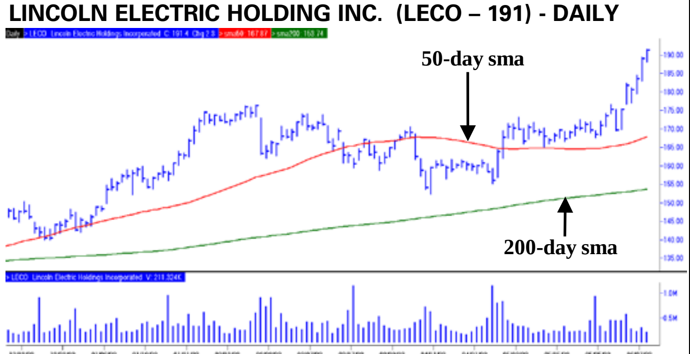
C3.AI INC. (AI – 36) - DAILY



JFROG LTD. (FROG – 25) - DAILY



LINCOLN ELECTRIC HOLDING INC. (LECO – 191) - DAILY



LINCOLN ELECTRIC HOLDING INC. (LECO – 191) - MONTHLY