Wellington Shields

EQUITIES PERSPECTIVE

July 14, 2023
DJIA: 34,395

It is said the prophet enters every undertaking with fear and trepidation … and so is always successful. The market, however, seems not to worry while the rest of us do. Seems a propitious backdrop. The CPI threw the market a bone on Wednesday, but more often than not news has been more against it than for it. Then, too, we would be the first to say markets make the news. Bless their heart, the Fed is nothing if not persistent in it's hammering. Yet, the uptrend has been amazingly persistent, not just in terms of the market averages, but the average stock as well. We had expressed some concern about Regional Banks and by extension Commercial Real Estate. For now the stocks have so far overcome even that fear. Granted stocks are not cheap, when are they ever in any uptrend like this? When the trend changes that's when not cheap matters.

The market often defies simple logic, in this case by ignoring gravity of sorts. The market seems at peace with the world, or at least resigned to whatever discomfort it sees. It's easy to be concerned with rates and earnings, but why if the market itself is not. If you define a pullback by a decline from a 20-day high, there have been no pullbacks larger than 5% or even 3% since March. The current streak of some 70 days since the last 3% pullback ranks in the top 7% of all streaks since 1928, according to SentimenTrader.com. While the mere recognition of this may cause you some concern, history seems to suggest otherwise. A distinction has to be made between markets that are trading at a multiyear high, versus a one-year high. In the case of the former, extreme confidence seems to set in, resulting in poor returns. However, that doesn't seem to happen when stocks are trading at a one-year high as the S&P then has a history of continuing to rise.

The real news in the last week hasn't been AI, it's been OI-H (326) - that is, Oil. Many of these stocks have been improving for some time, but last Friday they didn't just break out they blew out. A distinction needs to be made here between Oil and Oil Service/Drillers. It's the Schlumbergers (57) more than the Exxons (105) that had the big moves. Here again, more evidence of broadening participation. Meanwhile, what's wrong with those econ-sensitive stocks? How can they be bumping up against their highs when there's a looming recession? It would seem the answer might be what recession? Parker Hannifin (399) and Fastenal (57) are but two of the many. FAST makes nuts and bolts – very techy, techy. PAVE (32) is an ETF that covers several of these names.

Meanwhile, they're really killing Tech. It must have been about four or five weeks since stocks like Nvidia (460) and Adobe (517) made new highs – what a drubbing! We mention these two names because to look at the charts you wouldn't know one from the other. The weekly charts show a spike-like move higher a few weeks ago, followed by a four-week consolidation. You might want to write this down – stocks don't go straight up. Rather, this is about as good as it gets – a spike up and a high-level consolidation. Another way to think of stocks like this is the good stocks, like good markets don't give you a good chance to buy. Hence their shallow corrections. Conceptually speaking, when it comes to stocks like these the first time you think they're done, you're wrong. The second time you think they're done, you're wrong again. By the third time you don't even think it, let alone say it out loud.

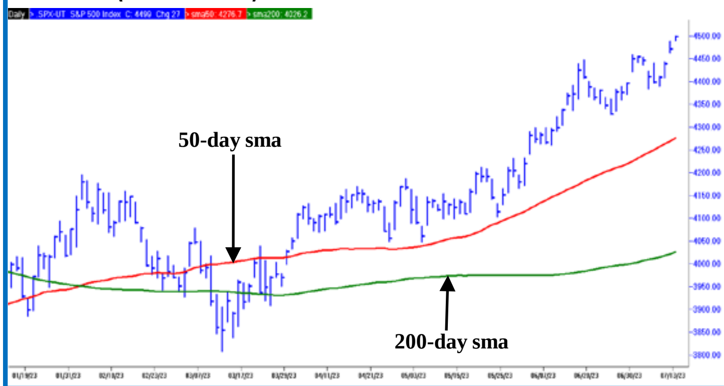
Back in the last bull market we used to say most days most stocks go up, and it seems so now. We understand the narrow market argument, we just don't think it's the negative many try to make it. To some extent the market can always be considered narrow – there's the leadership stocks, and the rest. Granted things are a bit extreme this time but there's an important mitigating factor. The rest of the market is at least going up – look at the A/D numbers. It would be a different story if were Tech and only Tech, and the rest were going down. That's simply not the case. The breakout in Oil Service stocks is an important change, which obviously suggests participation is broadening. In terms of performance the market has been narrow, in terms of participation it has not.

Frank D. Gretz

140 BROADWAY NEW YORK, NY 10005 TELEPHONE: (212) 320-3000

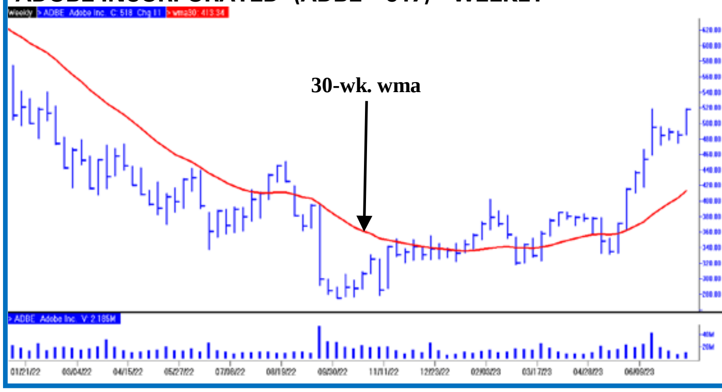
THIS IS NOT AN OFFER OR SOLICITATION OF AN OFFER TO BUY OR SELL THE SECURITIES/INVESTMENTS MENTIONED HEREIN. WHILE THIS REPORT HAS BEEN PREPARED FROM ORIGINAL SOURCES AND DATA WE BELIEVE TO BE RELIABLE, WE MAKE NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS. ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST.

S&P 500 (SPX – 4511) – DAILY

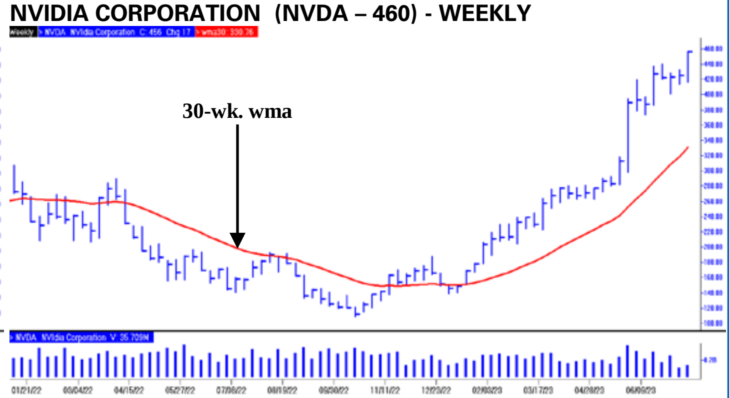


NASDAQ 100 (NDX – 15571) – DAILY

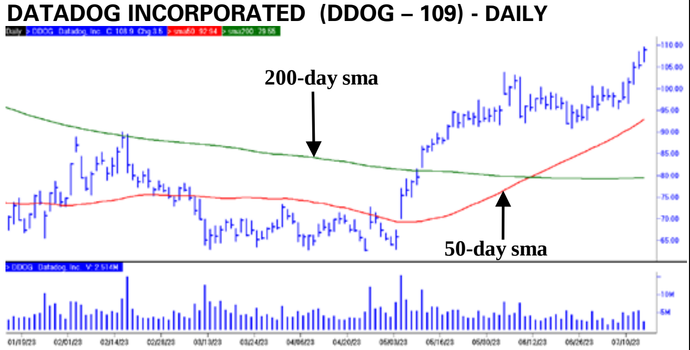
ADOBE INCORPORATED (ADBE – 517) - WEEKLY



NVIDIA CORPORATION (NVDA – 460) - WEEKLY

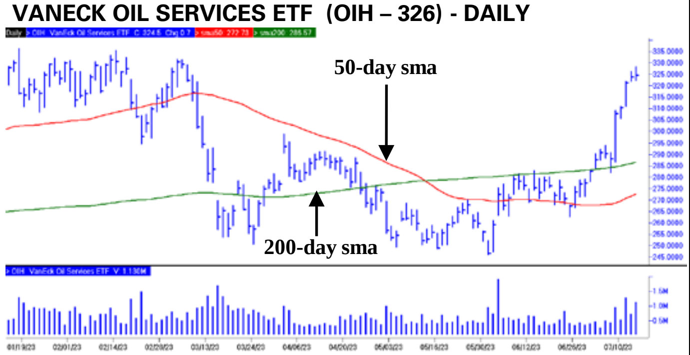


DATADOG INCORPORATED (DDOG – 109) - DAILY

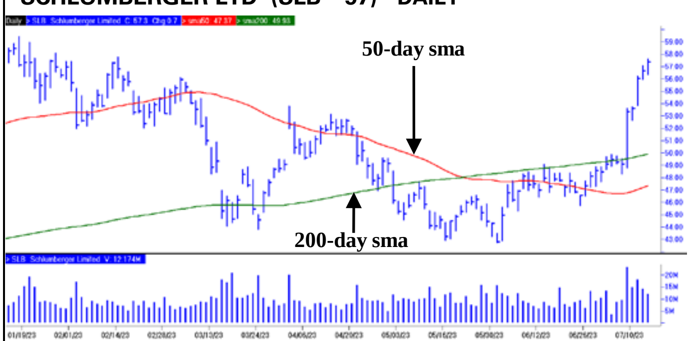


IPB PHOTONICS CORPORATION (IPGP – 139) - DAILY

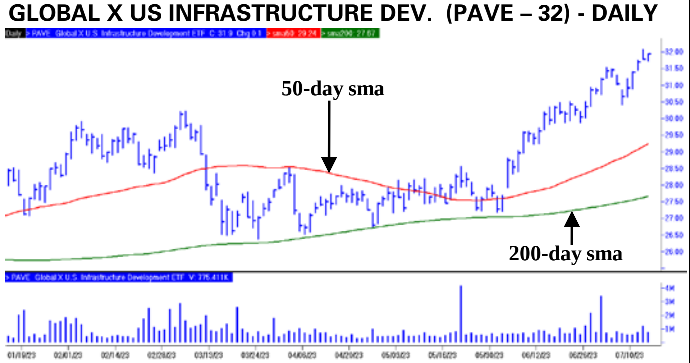
VANECK OIL SERVICES ETF (OIH – 326) - DAILY



SCHLUMBERGER LTD (SLB – 57) - DAILY



GLOBAL X US INFRASTRUCTURE DEV. (PAVE – 32) - DAILY



FASTENAL COMPANY (FAST – 57) - DAILY