Wellington Shields

EQUITIES PERSPECTIVE

July 21, 2023
DJIA: 35,225

Who needs Nvidia (455) … when you've got good old Microsoft (347). On Tuesday MSFT showed NVDA how AI is done, and in the process moved to an all-time high. The move came after the company announced pricing for its new AI subscription service – making money from AI, what a novel idea. It's not so much that this market is resilient, it's more that it's inventive. While everyone worries about good stuff like earnings and rates, along comes AI to take everyone's mind off of that. Earnings so far haven't been as bad as predicted, and the look of those Econ-sensitive stocks is reassuring. New to the positive side is the recent hit to the dollar, typically good for the NAZ and the Russell. The real positive, however, remains the technical background. The stock market and the economy are two different things. The stock market is sometimes hallucinatory, but it's usually anticipatory. What's important here is what most stocks are doing, and for now most days they go higher.

Suddenly everyone has noticed the market is broadening. Then, too, you have to ask relative to when? We see this as pretty much a function of the impressive move in the energy complex –mindful that there are many stocks here – and the stabilization in the banks – again, many stocks here. Getting back to time frames, to look at the Russell (1966) or the Equal Weight S&P (154), while much better, they're only back to their February peaks. Mind you we're not complaining, for now we'll take progress over perfection as we have become fond of saying in this market. More important in many ways is the number of stocks above their 200-day, a good proxy for stocks not just going up, but going up enough to be in uptrends. There was a rather dramatic jump last week to 63% versus only 50% the prior week. It also remains below its February peak, but there's that progress thing again. Another important aspect of these numbers – 70% historically has said bull market.

Gold it seems has little to do with anything. It certainly hasn't proven an inflation hedge, or a hedge of any sort against the war in Ukraine – what did those oligarchs do with all their money? Where there is some rhyme or reason is the correlation between the dollar and Gold, among other things. And, indeed, the dollar has turned weak– recently dropping 3% in just five days to its lowest level of the year. Weakness here typically begets even more weakness. Pretty much tick for tick with the dollar, Gold shares have improved with most now above their 50-day averages. This would include the ETFs, GDX (31) and GDXJ (38). Gold also has seasonality going for it. Between early July and early October gold is up some 63% of the time, with the average gain outstripping the average loss, according to SentimenTrader.com.

Gold may be in its own world, but that is not to say other commodities haven't come to life as well. We're thinking here of the basics like Copper (COPX-40) and Steel (SLX-67), XME (52) is illustrative as well. This seems another indication economies are not in such bad shape. Of course, we contend that shows up foremost in stocks that would seem sensitive here. You know most of them by now, but the PAVE ETF (32) covers them pretty well. To look at Lincoln Electric (210), who knew AI entailed that much welding? To judge by the ETF, PHO (58), one of the best acting commodities is water. And Bitcoin has excelled of late, helped by the seal of approval from your good friends at Blackrock. If overcoming adversity tells a story, so far so good for Bitcoin.

Have you noticed the reluctance on the part of most to call this a bull market? That's possibly explained by the inverted yield curve, the hawkish Fed and earnings worries. There's the fear some other shoe is about to drop. Meanwhile, it certainly acts like a bull market, though one which has evolved in an unusual way. Most would tell you the low was last October, and true enough for the averages. For most stocks, however, the low was last May-June. At a typical bear market most stocks make their lows together, not so this time. Consequently, the uptrend has evolved differently. And then there was the banking mishap in March, which also served to confuse things. They say bull markets climb a wall of worry. And they say bull markets don't give you a good chance to buy. That sounds a lot like this market, though Thursday did remind you even bull markets have their corrections.

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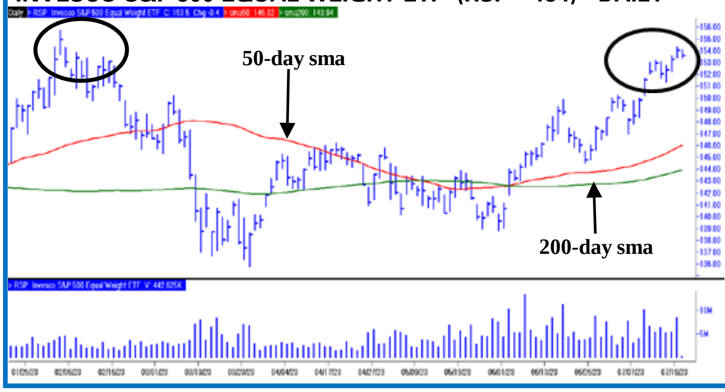
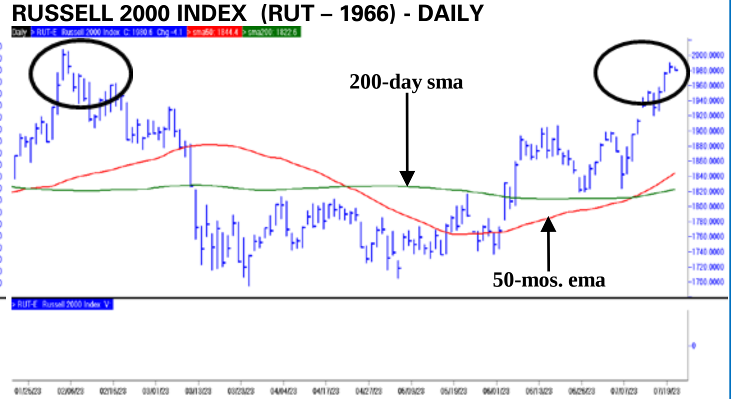
S&P 500 (SPX – 4535) – DAILY

NASDAQ 100 (NDX – 15466) – DAILY

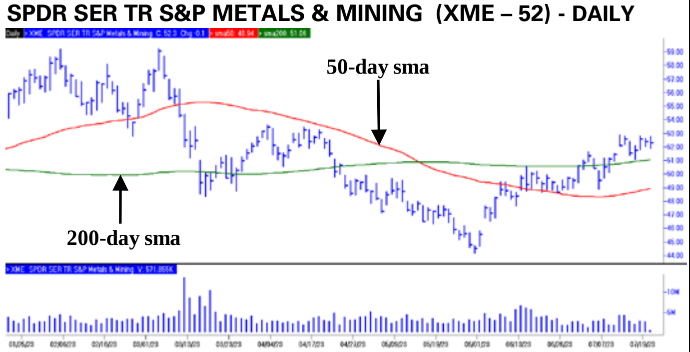
INVESCO S&P 500 EQUAL WEIGHT ETF (RSP – 154) - DAILY



RUSSELL 2000 INDEX (RUT – 1966) - DAILY

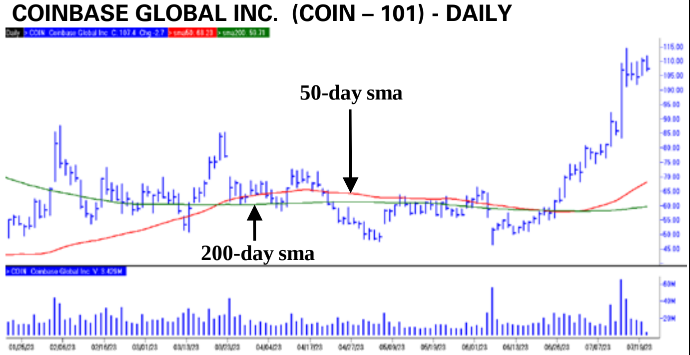


SPDR SER TR S&P METALS & MINING (XME – 52) - DAILY



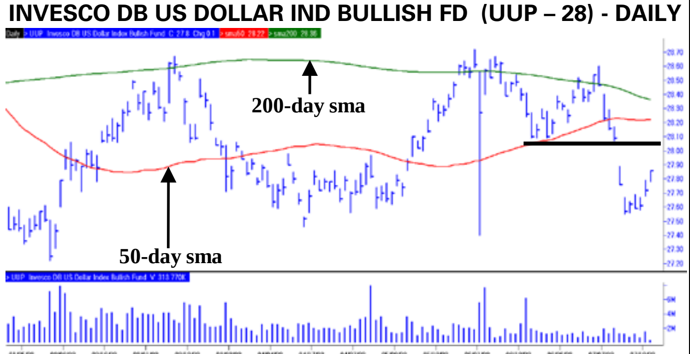
INVESCO WATER RESOURCES ETF (PHO – 58) - DAILY

COINBASE GLOBAL INC. (COIN – 101) - DAILY



LINCOLN ELECTRIC HOLDING INC. (LECO – 210) - DAILY

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



VANECK GOLD MINERS ETF (GDX – 31) - DAILY