Wellington Shields

EQUITIES PERSPECTIVE

September 1, 2023
DJIA: 34,721

It's about stocks … more than the stock averages. While the focus is always on the market averages, typically it's the average stock that tells the story. When they began to diverge even a bit back in July, it set the stage for the recent little correction. It has been easy to call the recent weakness a bull market correction, but you never know. When the S&P has spent close to 100 days above its 50-day average, the first break is just that – a bull market correction and only about 6%. When last week's numbers saw close to 50% of stocks at a 30-day low but only 4% at a 12-month low, that says correction in an uptrend. Relatively muted selling is one thing, needed is a revival in buying, making this past week a good one.

Beginning in the second week of July the market hit a real dry spell – eight consecutive days of negative A/Ds, 10 of 11 in all. Downtrends happen, the real damage technically was when three of those days saw the market averages higher. This sort of divergent action can go on, but it never ends well. This pattern changed last week when finally there was a buying interest, a day with almost 4-to-1 up. One up day will never make a difference and, indeed, some of the best up days have occurred in bear markets. That day, however, was followed by a couple of days with 3-to-1 up and Tuesdays surprising 5-to-1 up day. This makes the correction likely over, though the usual caveats apply.

We have suggested Nvidia's (494) "sell on the news day" was not a complete surprise, though you never like to see the market ignore good news. In this case it seemed not that expectations were too high, rather enthusiasm was too high. It was the euphoria that needed to be corrected, and the surprise weakness seems to have done so. Now that the dust has settled, what remains is a technically good pattern, and Tech generally has improved. What have been good charts all along, however, have been those stocks like Quanta (210), Roper (499) and Ingersoll Rand (70), among others. The group with the greatest number of stocks above their 200-day is Oil, though no one seems to care. And when was the last time you thought about Uranium (24)? Meanwhile, Retail is weak to the point of being worrisome. Banks are another problem, but one that's known.

Too big to fail, but too big to be saved. That's how the Chinese real estate market has been described. Then, too, there isn't much anywhere about China that can be construed as positive. According to the Bloomberg database of news articles, there has never been a week with more negative articles dating back a decade. Not surprisingly the Shanghai Composite hit new lows recently, accompanied by extreme oversold readings. Oversold doesn't mean over, but similar past readings have resulted in a rebound. China always seems able to stimulate its way out of these problems, though doing so always becomes more difficult. We're not fans here, but we would point out that the charts of individual charts are not as bad as you might think – they're trading ranges. Like it or not China matters, problems in China rarely stay in China.

Not long ago we wrote the odds of getting a good Tech report was slim to none. Now that seems to have changed, not just with Nvidia but even this week with the DJ component Salesforce (221), OKTA (84) and CrowdStrike (163). The favorable responses here could be about the reports per se, but we tend to think it's about the market – in this case it's the market that made the news. At the very least, the market isn't ignoring good news, another sign the correction is likely over. This and the change in the A/Ds argue for higher prices. It is a seasonally weak period, but something you hear almost too often. Moreover, it's not such a big deal in pre-election years. It may not be straight up, but up provided we stay away from those bad up days – up in the Averages but with poor A/Ds.

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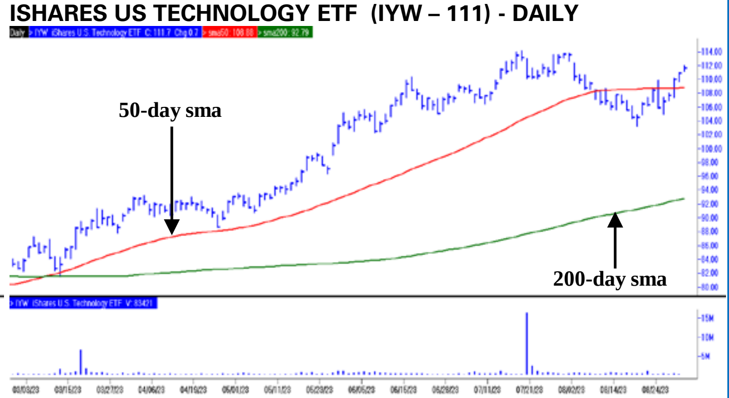
S&P 500 (SPX – 4520) – DAILY

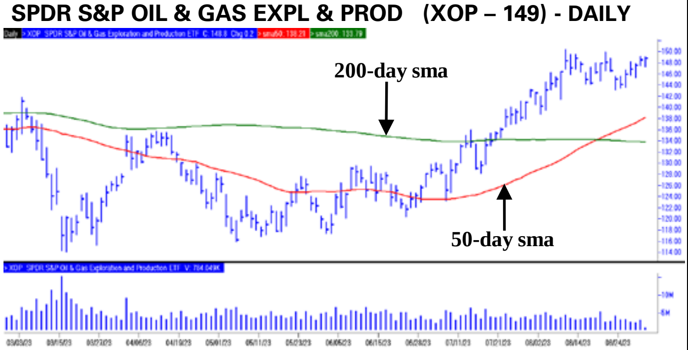
NASDAQ 100 (NDX – 15501) – DAILY

NVIDIA CORP. (NVDA – 494) - DAILY

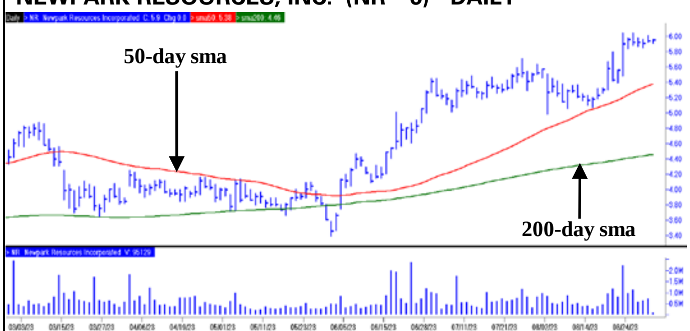
ISHARES US TECHNOLOGY ETF (IYW – 111) - DAILY



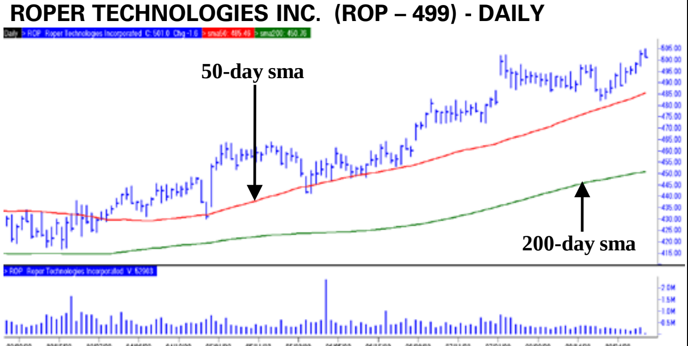
SPDR S&P OIL & GAS EXPL & PROD (XOP – 149) - DAILY



NEWPARK RESOURCES, INC. (NR – 6) - DAILY

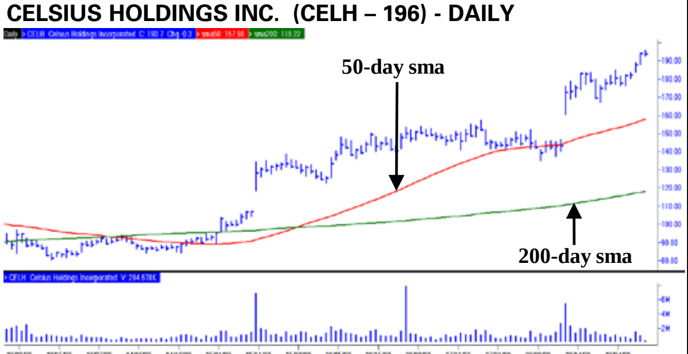


ROPER TECHNOLOGIES INC. (ROP – 499) - DAILY



STERLING INFRASTRUCURE INC. (STRL – 83) - DAILY

CELSIUS HOLDINGS INC. (CELH – 196) - DAILY



GLOBAL X URANIUM ETF (URA – 24) - DAILY