Wellington Shields

EQUITIES PERSPECTIVE

September 15, 2023
DJIA: 34,907

Stuck inside of Mobile… with the Memphis blues again. While that Dylan lyric would seem to have little to do with the stock market, that word "stuck" brought it to mind. It pretty much says it all when it comes to our view of the market these days. The major averages are on or just above their 50-day averages. Our preferred look at the market, stocks above the 200-day average, has hovered around 50% since the start of August. Granted 70% or more here is a good figure, but 50% or less means half of all stocks on the NYSE are in downtrends. Meanwhile, the Russell is below its 50-day and teetering on its 200-day. Regional banks, 20% of that Index, are well below the 200 and look about to break again, leaving you to wonder if there's a message there. The momentum measures we follow had turned marginally positive in late August, but since have rolled over again. They don't usually change so quickly, but you know what Keynes used to say.

In Isaacson's biography of Elon Musk, he recounts a meeting between Musk and Bill Gates. Musk's first question to Gates was whether he was still short Tesla (276). He was and apparently went on to explain why, but our point is there are different opinions about Tesla, even among reasonable and smart people. For our part, we're just here to talk about a chart pattern we like, and for now that happens to be Tesla's. Price gaps are one of our favorite technical patterns, yes they are technical patterns, and yes Tesla has one. They happen when the low price of one day is enough above the high price of the previous day, that on a bar chart a gap appears. Technical analysis is an analysis of supply and demand, and what could be more indicative of demand than enough buying to cause a price gap? In the case of Tesla's gap Monday, it also took the stock back above is 50-day average. Some consolidation would not be unusual, and the stock now needs to hold above the gap and the 50-day.

To continue this impromptu tutorial on price gaps, how about that Oracle (114) – a good chart until Tuesday's downside gap of more than 10%. Yet another reason this isn't coming to you from the Côte d'Azur. Prices usually follow in the direction of price gaps, whether they be up or down. The exception is when the gap does not change the overall trend. In the case of Oracle, it pretty much continues in an overall trading range going back to mid-June, and the stock remains above its 200-day average. Oracle was among those stocks we mentioned last time, calling them the "retro Techs." To Dell (71), IBM (147) and Cisco (56) we might have added Intel (39). While everyone frets over Nvidia (456), ironically it's Intel, and even Micron (72) that have performed the best. When it comes to Nvidia, the chart it's still fine, but like the market stalled. We wonder too, if the Arm offering may have siphoned off a little Semi money.

A new concern this week was the poor action in what we have called Econ-sensitive stocks like Parker Hanafin (395) and Eaton (222) – the latter having dropped 20 points in two days. It is the largest holding in PAVE which now has taken out a couple of support levels and the 50-day. We have used these stocks as an argument against a recession, and if that's changing so too would our recession opinion. Meanwhile, the case for recession has always seemed to lie in the consumer, based on the action in retail and lenders like Capital One (102). A couple of bad days doesn't mean it's time to panic, but it's certainly time to pay attention. In another somewhat retro move, some of the FANG+ names are back on track. Most of these, Tesla being a prime example, seem in their own world rather than market sensitive, perhaps the perfect thing for a stuck market.

After last week's spate of selling, this week's CPI and PPI could have been taken as good or bad. If the market makes the news, the market's lack of reaction offered little insight. And after a worrisome Wednesday, Thursday's strength was a welcome relief, not so much for the strength of the Averages as the 3-to-1 A/Ds. One day is just that – what's needed is more evidence upside momentum has been regained, that is, more days like Thursday. It's an interesting overall backdrop. Despite the inverted yield curve, a contraction in money supply and declines in leading economic indicators, most have turned optimistic – soft landing, and so forth. Goethe said the intelligent man finds everything ridiculous, or is the market just doing it's discounting thing.

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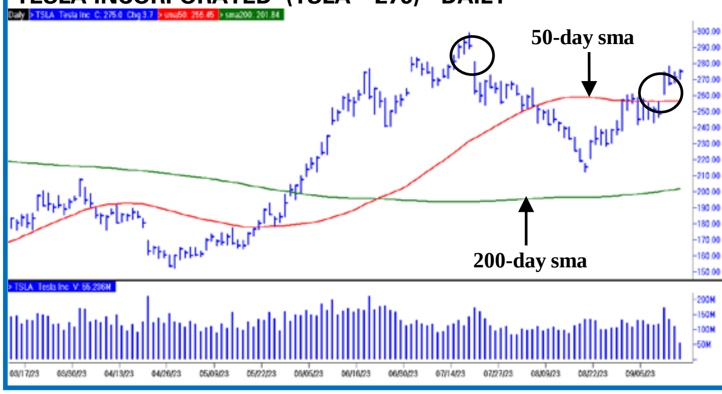
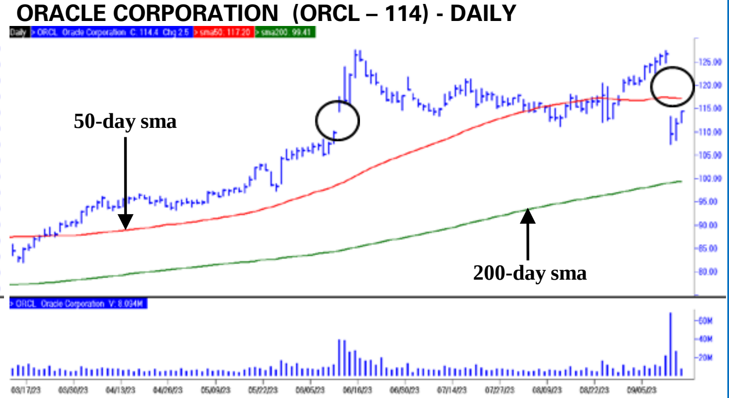
S&P 500 (SPX – 4505) – DAILY

NASDAQ 100 (NDX – 15473) – DAILY

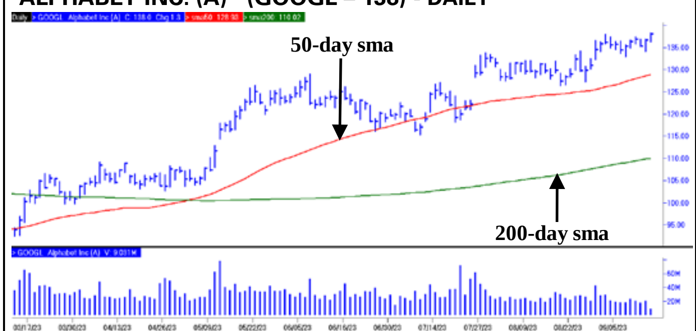
TESLA INCORPORATED (TSLA – 276) - DAILY



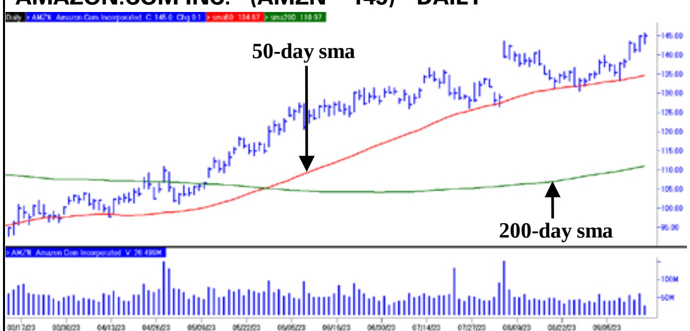
ORACLE CORPORATION (ORCL – 114) - DAILY



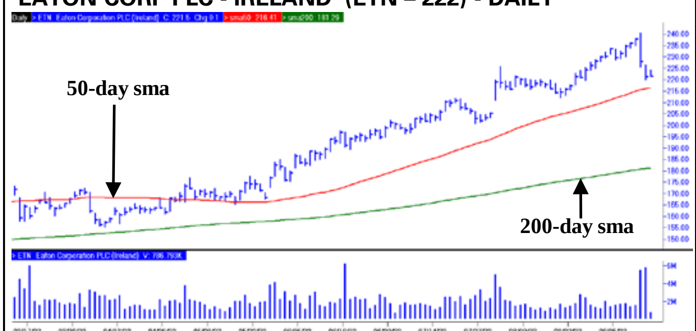
ALPHABET INC. (A) (GOOGL – 138) - DAILY



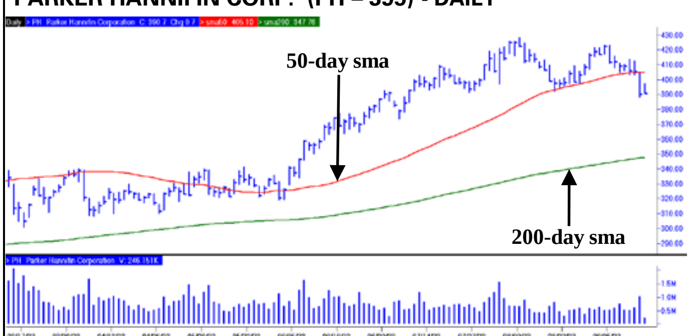
AMAZON.COM INC. (AMZN – 145) - DAILY



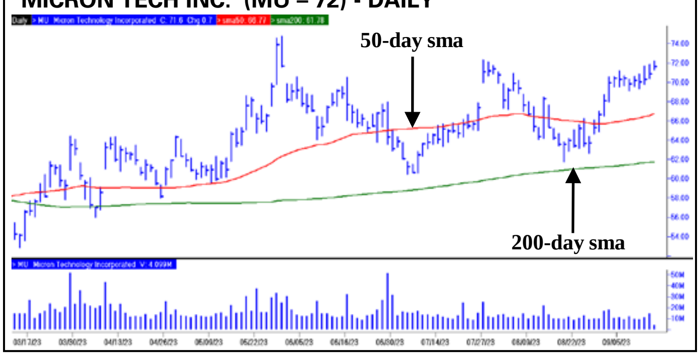
EATON CORP PLC - IRELAND (ETN – 222) - DAILY



PARKER HANNIFIN CORP. (PH – 395) - DAILY



MICRON TECH INC. (MU – 72) - DAILY



INTEL CORP. (INTC – 39) - DAILY