

EQUITIES PERSPECTIVE

October 13, 2023
DJIA: 33,631

Market lows ... they're about the sellers not the buyers. Most think lows are made when the buyers step up. To the contrary, it doesn't take all that much buying when the sellers are out of the way. No selling and prices move up as in a vacuum of sorts. And when are the sellers out of the way? There are a couple of ways to analyze that, and both seemed at play last Friday. Going into Friday the S&P was down only some 8%, while most stocks were down much more. Indeed, by the end of last week stocks above their 200-day had dropped from 38% to 30%, and that included Friday's upside reversal. For the 200-day, that's quite a weekly drop, enough to perhaps suggest much of the selling was out-of-the-way. By comparison, the declines in March and again in May saw this number around 36 – 37%. Being down a lot of course doesn't mean they have to go up. Last October the number was around 17%.

The other part of determining if the selling is out-of-the-way is pretty simple – have they stopped going down and started going up. Here we will make the point we always make about news like Friday's Jobs number. It's never about the news, it's about what the market does with the news. Bad news and the market goes down, that's what you would expect it to do, you learn nothing. Friday's news was worse than bad, but after a down opening the market reversed higher. You never know, but you have to say that seemed a market that didn't want to go down, a market that didn't in fact go down because the sellers were out of the way? Not only did it not go down, it turned into a decent day to the upside – 3-to-1 up. Monday seemed less dramatic despite the horrible news and its far-reaching market implications, yet the market again managed to reverse higher.

With the market under some pressure recently, you might have expected defensive stocks to come to the fore. That has not been the case, rather just the opposite. To some extent the bond market seems at blame, especially when it comes to the Utilities. Staples have been under pressure as well, even prior to the obesity drug concerns. Meanwhile, the McClellan Summation Index for Staples, a measure of supply and demand, is near the worst levels in history, a level from which it tends to rebound. SentimenTrader.com shows one-year gains of 20% following such extremes. Interesting too, Staples have one of the highest ratios of Put/Call buying in a decade. At the same time corporate insiders have been buying shares and lessening their selling, pushing the Buy/Sell Ratio to one of the highest levels in more than a decade.

The stock market is a place where simple logic doesn't work – Staples being yet another example. And for all the fuss over earnings, being in the right place always seems more important, though for sure that's a movable feast. For now, the right place seems Tech generally, but most of FANG+ specifically. They seem and act like the new defensive stocks, giving up little in market weakness. And if higher rates were the problem, it too may now be a tailwind. Defense stocks have had a run, but Cyber stocks have seemed surprisingly dormant for a while. Perhaps no longer to look at names like Palo Alto (261) and CrowdStrike (188). We mentioned United Health (526) last time, noting the appeal of having the group as a whole acting well.

The devil is dancing in the Middle East. The question is how far? Yet the market had seemed to be taking it in stride, along with a less than friendly Jobs number, PPI, CPI and even the auction on Wednesday. This changed with Thursday's auction when the market abruptly tanked. Are rates still that important, was the auction that much of a surprise? Or could it simply be the market being the market. The low last Friday and subsequent rally, though impressive made a setback likely. We believe they're going up; we don't believe straight up. The low last Friday is one thing, a new big uptrend another. The latter takes time, some backing and filling, call it what you like. On a very short-term basis, even when the Averages were up Thursday the A/Ds were negative - always something to note. One day is just that, but consecutive days of 2-to-1 up this week were impressive.

Frank D. Gretz

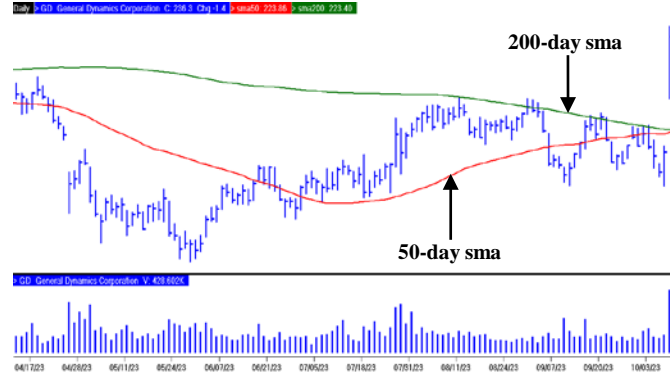
S&P 500 (SPX - 4349) - DAILY



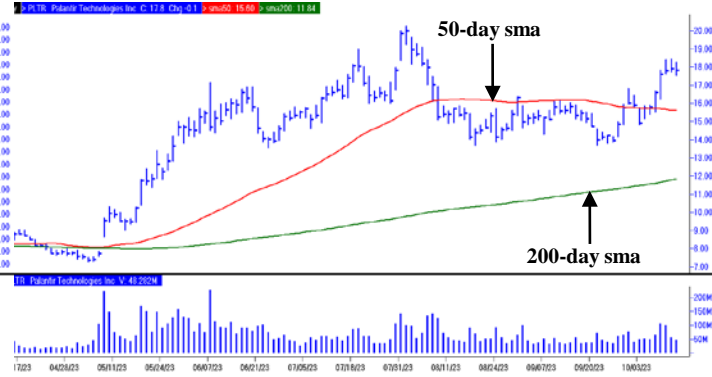
NASDAQ 100 (NDX - 15184) - DAILY



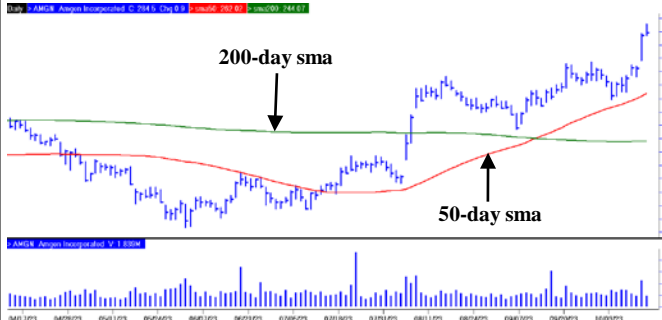
GENERAL DYNAMICS CORP. (GD - 237) - DAILY



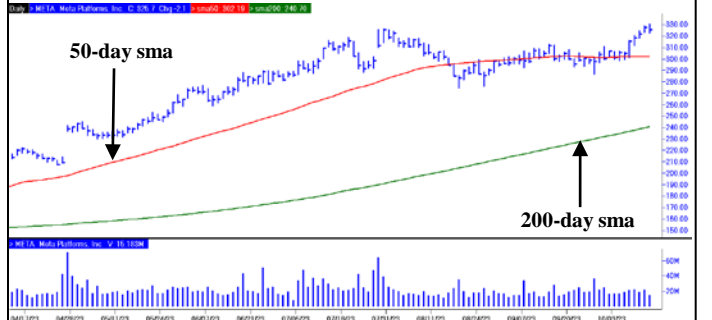
PALANTIR TECHNOLOGIES INC. (PLTR - 18) - DAILY



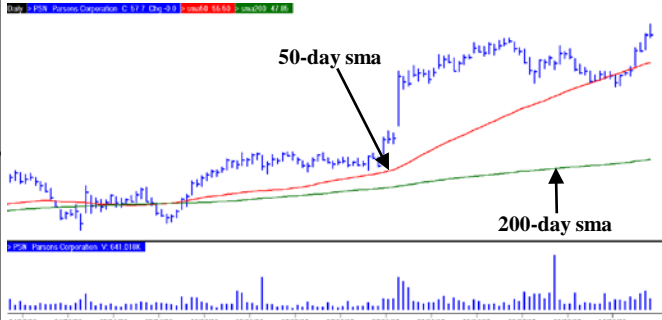
AMGEN INCORPORATED (AMGN - 285) - DAILY



META PLATFORMS, INC. (META - 324) - DAILY



PARSONS CORPORATION (PSN - 58) - DAILY



WILLIAMS SONOMA INCORPORATED (WSM - 163) - DAILY



CROWDSTRIKE HOLDINGS, INC. (CRWD - 188) - DAILY



ARISTA NETWORKS INCORPORATED (ANET - 193) - DAILY

