Wellington Shields

EQUITIES PERSPECTIVE

October 6, 2023
DJIA: 33,119

Rates, rates, rates … we hear they're going up. In fact, that's all you hear. Having reached the mainstream media, perhaps it will do what talk of $100 Oil did for Oil. The yield on the 10-year Treasury has reached an extreme, or has it? In any event, it's hard to argue this has been anything but bad for stocks and most of the commodities. We had thought the market could live with higher rates, of course that was when the market was acting like it could live with higher rates. It has since become less technically healthy and remains so. You would think those Regional Banks would be a particular concern, given what happened in March when rates were not even this high. Not surprisingly the charts there are not so wonderful. It may not be the level, but the abrupt change in rates that causes something to break. We wonder if rates had anything to do with the hit to Oil recently or look at American Express (147). It's not unusual to find out only later who is vulnerable, who was swimming without their suit as Buffet likes to say.

We had looked at this weakness as your garden-variety correction, a correction in an uptrend. After all, on the whole this year has shown some impressive momentum, the kind that doesn't turn easily or quickly. In terms of the Averages, it still falls in that category. However, the intensity of the selling, if that's the term for it, makes it look possibly different. In terms of the A/Ds the market fell for nine consecutive days through September 27, and likely 4 of 6 through Thursday. Two of this week's down days were 5.6-to-1 and 4.6-to-1, not exactly garden-variety selling. Mercifully, the A/Ds were respectable in Wednesday's rally. These numbers are a bit worse than those in the March weakness, then too it may be too soon to say. At issue here is a garden-variety decline versus something more severe. The former is a gradual move to a sold-out turn, the latter a more violent one. More days like Wednesday would argue for the former.

For all of the market's problems, there are a few stocks/areas that are interesting. In corrections, the good guys stand out, if only because they either stop going down or never went down. The most obvious here is Nvidia (447), interesting in the sense it arguably got the correction going. You might recall – good news and the stock reversed lower back at the end of August. That it has been holding the last couple of weeks, against a weak market for Tech, seems interesting. It's toying with the 50-day, while a move above it would be positive for it and the market. A kindred spirit here is Super Micro (288), which is already above its 50-day, at least for now. Then there's Tesla (260) which failed a couple weeks ago, after we praised the pattern, now again above the 50-day. And finally, there's United Health (516), which because of some violent moves always seems difficult. It's back to recent highs and with the group seemingly behind it, impressive in this market.

IBD will tell you as much as 75% of the movement of any stock is a function of the market's overall trend. We couldn't agree more, and that's why we got into this business. We noticed our wonderful stock picks somehow did better in good markets. They seemed to go up and down with the market, which made us think this market thing might be worth looking into. To get to some point here, given the recent A/Ds, 75% might be a little light. This tide has sunk most ships. To us the market is about the A/D numbers. Easy to be a good trader on those 5-to-1 up days versus those 5-to-1 down days. We're happy with 2-to-1 up days. Easy to be a good trader when 70% of stocks are above their 200-day, that is, in uptrends versus 30% now. As per the above, there are some things to look at here, but it's best to have that market wind at your back.

If we had a brother at the Labor Department, and knew ahead of time the Jobs number, we pretty much wouldn't care, especially this month. After all, in this environment what is a good number? A bad number, that is one good for the market, means the Fed can stop raising because the world is coming to an end. A bad number, the economy is still humming along, but the Fed will keep tightening. Then too, thinking what we've already been through, a little more selling could put in a low. Keep in mind, it's selling not buying that makes lows. When the selling this out-of-the-way, you don't need much buying to lift prices. We're not predicting the number and we're not predicting the outcome. The real point is it's not about the news. It's about the market's reaction to the news. The best outcome might be a number the market shouldn't like, but it rallies anyway.

Frank D. Gretz

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

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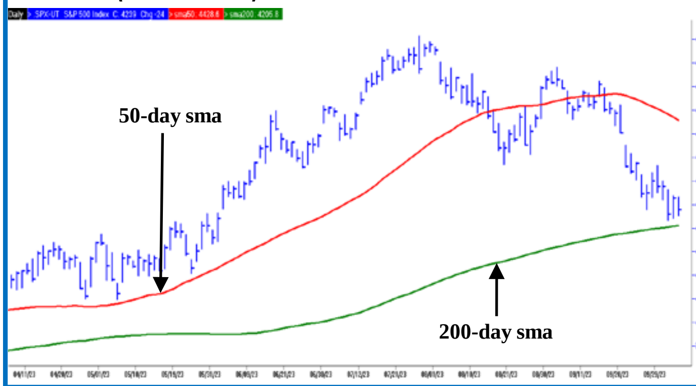
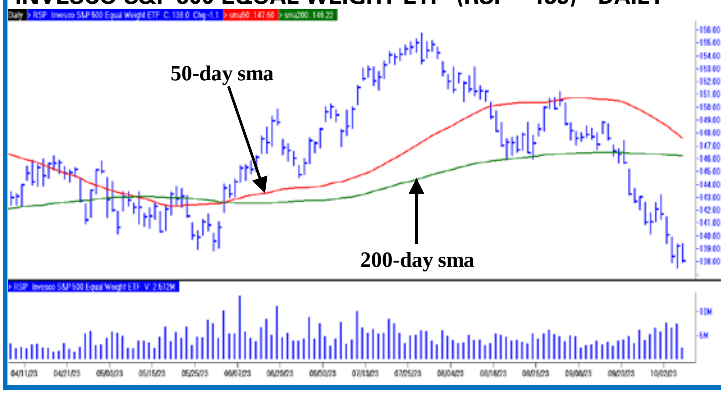
S&P 500 (SPX – 4258) – DAILY

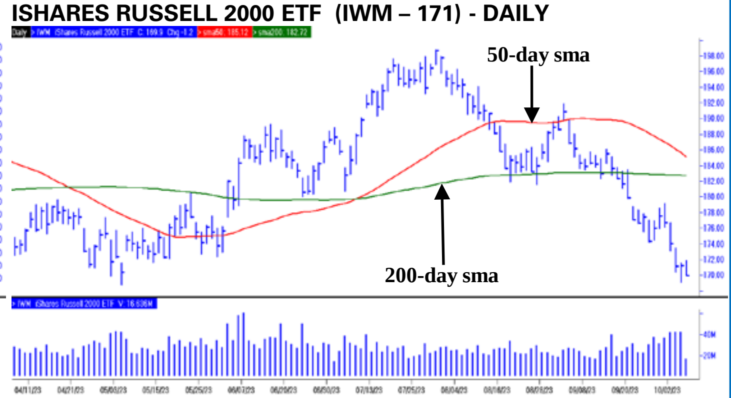


NASDAQ 100 (NDX – 14723) – DAILY

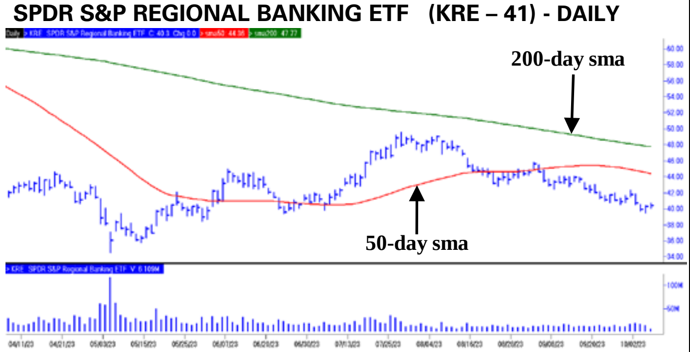
INVESCO S&P 500 EQUAL WEIGHT ETF (RSP – 139) - DAILY



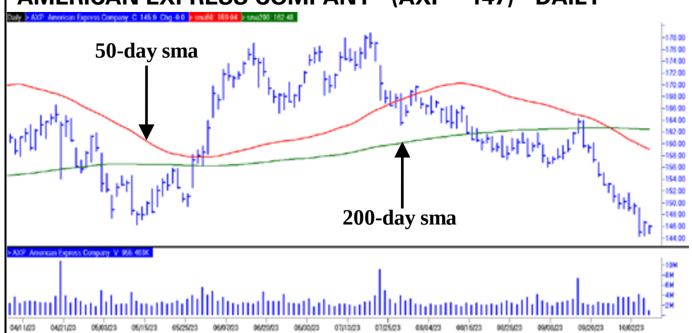
ISHARES RUSSELL 2000 ETF (IWM – 171) - DAILY



SPDR S&P REGIONAL BANKING ETF (KRE – 41) - DAILY



AMERICAN EXPRESS COMPANY (AXP – 147) - DAILY



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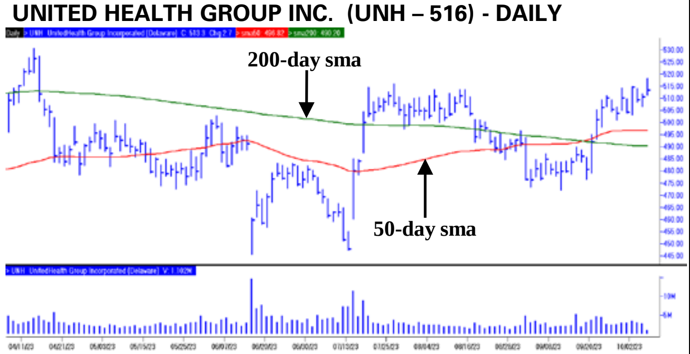
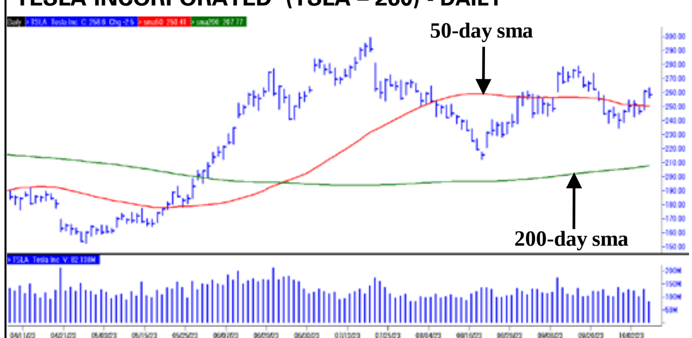
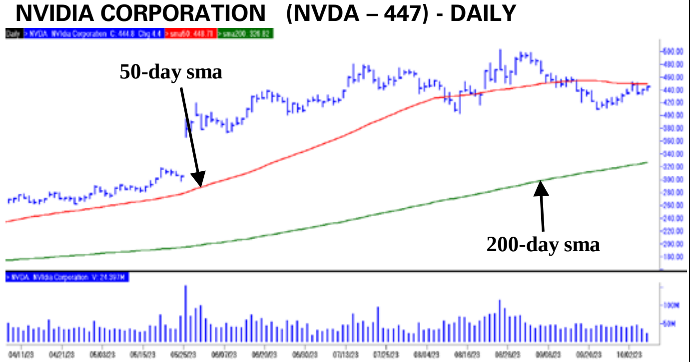


TESLA INCORPORATED (TSLA – 260) - DAILY



NVIDIA CORPORATION (NVDA – 447) - DAILY



SUPER MICRO COMPUTER INC. (SMCI – 288) - DAILY