

EQUITIES PERSPECTIVE

November 10, 2023
DJIA: 33,891

One is nothing but five...that's something. There are plenty of good one-day rallies. In fact, because of the compression in prices, many of the best one-day rallies come along in bear markets. Putting together five consecutive good days as we did last week, that's something else. For us, good days are always about the Advance/Declines, not the Averages. A/Ds last week were at least 2-to-1, and two were 5 and 6-to-1. The consistency matters here, but so too does the degree, matching some historically significant levels. This week has been a bit more inconsistent, but this kind of momentum doesn't turn in a hurry. Rallying bonds of course seems more than coincidence, and there's the tail wind of November and December. Never something to be relied on, seasonality works best this time of year.

Rates have peaked! Don't believe us, believe those who should know, the rate sensitive stocks – the Financial ETF (XLF-34), the Regional Bank, ETF (KRE-41), and the Homebuilders ETF (XHB-76) have rallied sharply. These measures now are above their 50-day averages, no guarantee but clearly an important change. While a healthy financial sector may be important to the economy, their sheer number makes them important to the technical background. You might say for the market that's one less worry. There remains, of course, the little problem of war, the problem being it doesn't remain little. Then, too, it's hard to worry when Oil seems oblivious. Defense stocks act well enough on their own and seem more than a hedge. Aerovironment (120) and L3Harris (181) are among the many that look attractive.

Meet the twins – Adobe (578) and Broadcom (911). What they may have in common funnilymentally is above our paygrade and, more importantly, not our interest. The charts we know by the look are Tech, and similar in a couple respects. Since they are twins or so we say, we've only displayed ADBE. The recent little breakout aside, the charts here are pretty much that of the monitor in a hospital room – alive, but not ready for release. Another perspective, again equal for both, is the look of a weekly chart. Still trading ranges, but of note here is what happened when they came out of similar patterns in mid-May. The breakouts in those patterns were the starting point for significant moves higher. Rather than the Rorschach test that are the daily charts, the weeklies show the ingredients for a significant moves higher.

Remember Peter Lynch? He once upon a time ran Magellan Fund, and so well he became a bit of a pop rock star. For a manager of a mutual fund that size, that was quite a feat. His philosophy/advice was to buy what you know. Of course, he made most of his money in Fannie Mae which you may recall was an obtuse hedge fund no one really knew – and eventually self-destructed. Meanwhile, we were introduced recently to a company called Toast (14). If you've dined out at all, in apparently any part of the country, you will be familiar with this point-of-sale product. Doing in-depth fundamental research as is our way, we've asked countless waiters about this product. It gets rave reviews. That said, good to remember stocks are not their companies – the stock has been a poor performer.

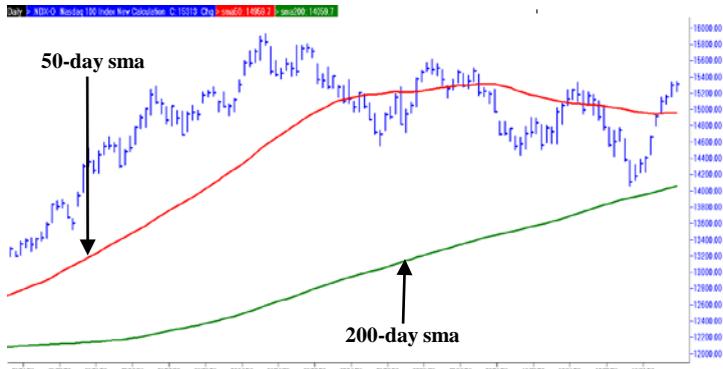
After last week's rather spectacular numbers, this week's A/Ds have turned a bit sloppy relative to the Averages, which is always how they should be judged. All things being equal this would be a concern, but all things are not exactly equal, such were the numbers last week. In part the numbers reflect the ongoing weakness in Oil shares, of which there are many and therefore have their impact. And Cathie Wood's collection of the down and out can't be up 18% every week. Still, we don't make excuses for the numbers. More than the Averages the A/Ds hold the key to the market's health. Powell said nothing new Thursday, in fact his comments were pretty much those of last week that led to a sharp rally. The weakness seemed a function of the week's sloppy numbers and should prove temporary.

Frank D. Gretz

S&P 500 (SPX - 4344) - DAILY



NASDAQ 100 (NDX - 15187) - DAILY



MICROSOFT CORPORATION (MSFT - 361) - DAILY



ISHARES US TECHNOLOGY ETF (IYW - 111) - DAILY



DELL TECHNOLOGIES INC. (DELL - 72) - DAILY



AEROVIRONMENT INC. (AVAV - 120) - DAILY



ARK INNOVATION ETF (ARKK - 39) - DAILY



TOAST INCORPORATED (TOST - 14) - DAILY



ADOBE INC. (ADBE - 578) - DAILY



ADOBE INC. (ADBE - 578) - WEEKLY

