Wellington Shields

EQUITIES PERSPECTIVE

November 17, 2023
DJIA: 34,945

So who are you going to believe … Powell or the market? Just last Thursday afternoon Powell cautioned the Fed may not be through. The new media spokespeople, Ken and Jamie, echoed the same admonition. Meanwhile, stocks were up 10–to-1 on Tuesday. One day is always just that, but it hasn't been just one day. Two weeks ago saw five consecutive days of 2-to-1 numbers, and a couple better than five to one. Those numbers are hard to ignore, impossible to ignore if you know technical history. Certainly Powell believes they may not be through, and they may not be. The market believes he's through, that rates have peaked and inflation as well. Could the market be wrong – it happens. When it happens, it shows up in price action, unlike what we're saying now.

Rallies like this often are explained, demeaningly, as short covering. Who really knows, but by the look of some recent outsized moves in beaten down stocks, this certainly appears to be the case. Then, too, what decent rally didn't start with short covering? And who really is to say? What we think of as short covering may more simply be "sold out" stocks lifting. Often confused is just why these beaten down stocks lift. It's not about some sudden massive new buying interest, it's because the sellers are done. It doesn't take all that much buying to lift prices when sellers are out of the way. And we're talking about stocks where there are plenty of losses, which already may have seen their tax loss selling. In any event, why prices lift is not our concern, it's the fact they do that matters.

In a market like this, who needs some stinkin' Utility? With the Mag 7 all the rage, any discussion of Utility stocks seems out of place. Perhaps therein lies reason enough for a discussion and, in fact, the stocks have performed well of late. At the start of October about 60% of Uts hit a 12-month low. The stocks remain in long-term downtrends but have recovered somewhat. It has been more than two months since 20% of the stocks have been above their 200-day average – the longest period since 2008. Over the last 70 years, 17 times the sector went as many sessions with so few stocks in uptrends. Most preceded medium-term gains, only two lost more than 5% in the next two months according to SentimenTrader.com. In early October more than 60% of the stocks rose above their 50-day, an encouraging sign. Also encouraging, Utilities are just one of the rate-sensitive areas benefiting from the apparent peak in rates.

What kind of Middle East war is it that can't rally oil? Then, too, we've often cautioned the stock market is no place for simple logic. That said, Defense stocks are holding their own or better, to the point of making the relevant ETFs, XAR (124) & ITA (116) look attractive. General Dynamics (245) still seems one of the best of the household names. Pharma has had a tough go of it for some time, and this week even Eli Lilly (589) gave way to Tech and the down and outs. It and Novo Nordisk (100) still look attractive. Thursday was a disappointing day for a number of stocks, especially Walmart (156) which dragged down most of retail – Macy's (13) unable to save the day. There was no better chart Wednesday night than WMT. It's enough to make us wonder if we should go back to our old job in the steel mills. As you know we think price gaps are important, but they are so when they change the prevailing trend. Certainly Thursday broke Walmart's short-term trend but it remains more or less in a trading range going back to June. Long-term the break is a flesh wound.

What's to become of Tech? As we sit here in full Y1K compliance, holding our rotary cell phone, it's a bit beyond us. Then, too, it's not Tech, but the Tech stocks we ponder. Tech is unto itself what the great meteor was to the dinosaur – as we speak, there's a guy in a garage in California with a better whatever. The stocks are fine for now, we just wonder who is left to buy. They go up until they don't, and that's when they're over- loved and over-owned – usually around the time they start giving them names like Nifty-50, dot-coms, maybe even Magnificent Seven? Meanwhile there is a group of stocks we've called the Other Magnificent Seven. Most lack the market-cap to drive the Averages, and therefore live more quiet lives. With long-term uptrends and good medium-term patterns, they are every bit if not more attractive than the Mag 7. Names include Cintas (553), Parker Hannifin (426), Visa (249) and some lesser knowns like Motorola Solutions (317).

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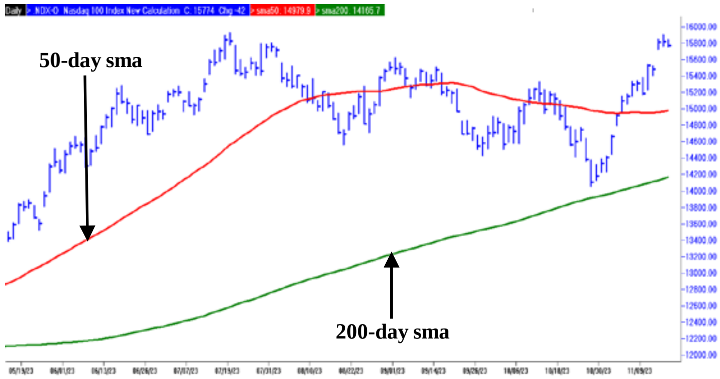
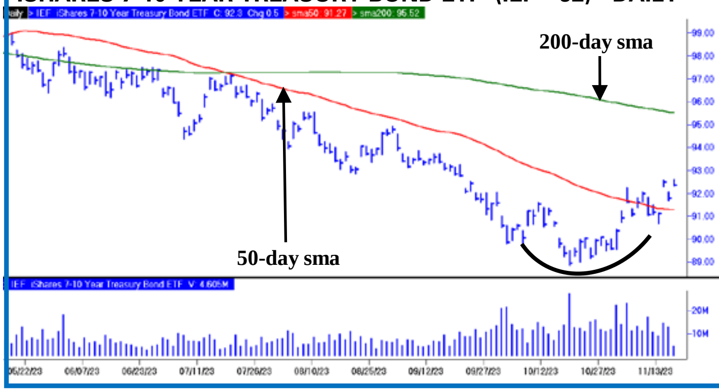
S&P 500 (SPX – 4508) – DAILY

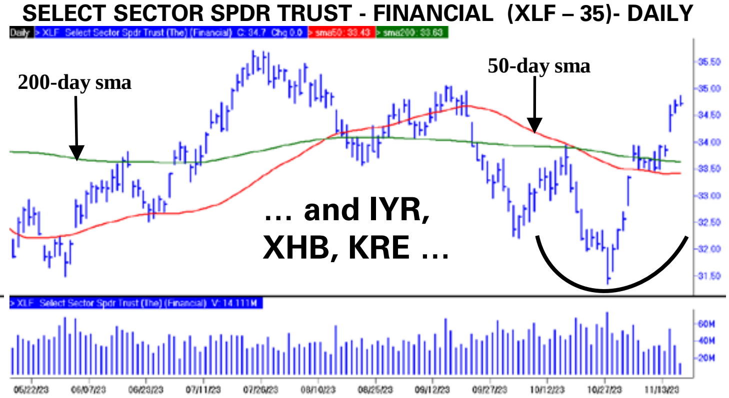
NASDAQ 100 (NDX – 15833) – DAILY



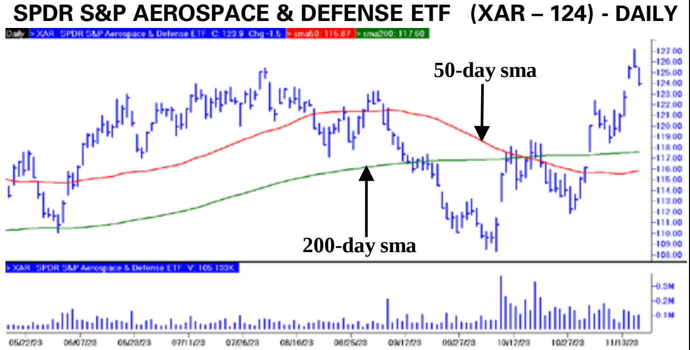
ISHARES 7-10 YEAR TREASURY BOND ETF (IEF – 92) - DAILY



SELECT SECTOR SPDR TRUST - FINANCIAL (XLF – 35)- DAILY

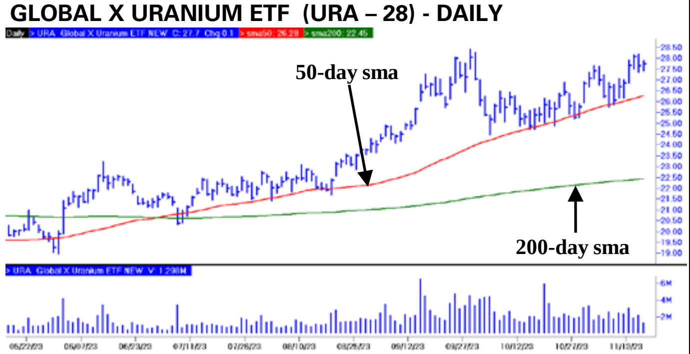


SPDR S&P AEROSPACE & DEFENSE ETF (XAR – 124) - DAILY



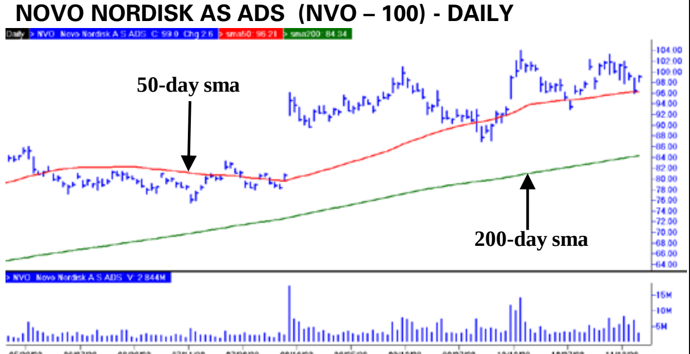
SELECT SECTOR SPDR TRUST - UTILITIES (XLU – 62) - DAILY

GLOBAL X URANIUM ETF (URA – 28) - DAILY



WALMART INCORPORATED (WMT – 156) - MONTHLY

NOVO NORDISK AS ADS (NVO – 100) - DAILY



UNITED HEALTH GROUP INC. (UNH – 540) - DAILY