Wellington Shields

EQUITIES PERSPECTIVE

November 3, 2023
DJIA: 33,839

A bad market … or just another bad October. Actually, it has been a bad consecutive three months. Despite that the S&P closed October sporting a gain near 10%. When this first 10 months are that strong odds are some 70% November will be higher. Then, too, "sell in May" should've been buy in May and sell in August. Probabilities are not certainties. However, clearly there is a change for the better, and it started with Monday's rally. We never trust up openings in down markets, and every up opening last week saw the rally fade. Monday's rally did not do so, a simple thing but change is important. The rally has its flaws like the weak Semis and mediocre A/Ds, but lacking a real washout that's not a surprise. Then, too, the updraft during the Powell speech was impressive. The key now is follow through, so far so good.

What we have seen is by no means a washout low. What looked to be give-up sort of declines in many stocks, certainly was not evident in something like the VIX – at a peak of 23 well short of the 30-35 you might have expected in a washout. Stocks above their 200-day did fall to the mid-20s, a level that has been reached only 17% of the time since 1928. Certainly good enough for a low, but not the 17 of the low last October. What did get pretty washed out was Tech other than the so called Magnificent 7, the Semis especially. The Technology ETF (XLK-170) saw only 3% of its components above their 10-day average. To that you might say they pretty much got to everything, typical at a low. The Mag 7 came through this pretty well, particularly Microsoft (348) and in a bit of a surprise, Amazon (138).

When it comes to wars, defense stocks are tricky. Ukraine was a long time in the offing, and the stocks saw little reaction. The 9/11 attack was sudden, as was October 7, and therefore a big reaction. Stocks discount, but they're not psychic. They didn't see coming 9/11 or 10/7. After 9/11 defense stocks rallied, but then faded. Then, too, 9/11 was more an event than a war, the war came later. Here we have an event turned into war, but for stocks still more event than war. Defense stocks had their initial surge and so far are holding up and more. Technically speaking, most of these stocks gapped higher, which should hold if they are indeed going higher. These are good charts but we look at them not so much in terms of the current situation but what might be forthcoming.

What kind of war is it that can't rally Oil? The US Oil Fund is some 5% below its 9/27 peak. While that's the commodity, stocks have more or less followed, in some cases for their own reasons. Among those reasons were the mega deals announced by Exxon (109) and Chevron (149), weakening the stocks and the ETFs that hold them. We rarely buy weakness and don't recommend it, and we don't like to buy stocks under their 50-day average. All that aside, Chevron at its recent low was some 12% below its 50-day, which for Chevron is about a lifetime. Different stocks relate differently to moving averages like the 50-day, so 12% here is nothing relative to stocks more volatile. Keep in mind too, the 50-day often acts as support and resistance for stocks, some more than others.

The Fed meeting was the nothing burger everyone had expected, and Powell's little diatribe the same. Typically, the market waits until the speech is done before doing whatever it is going to do. Wednesday saw the rally start before that, when it seemed satisfied he wasn't going to get in the way. The backdrop here was more impressive than the rally itself, but Thursday's better than 7-to-1 up day was impressive all around. Obviously just about everything lifted, rate sensitive shares on the hope bonds have peaked. The downtrodden, so to speak, were particularly big winners, hinting of short covering. Then, too, what good rally didn't start with short covering? If you found last week's mention of Verizon (36) a little too staid, kick it up a notch with IBM (147) – the patterns are the same.

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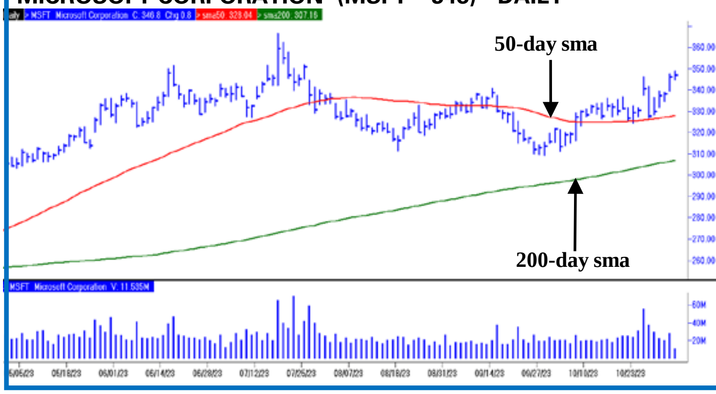
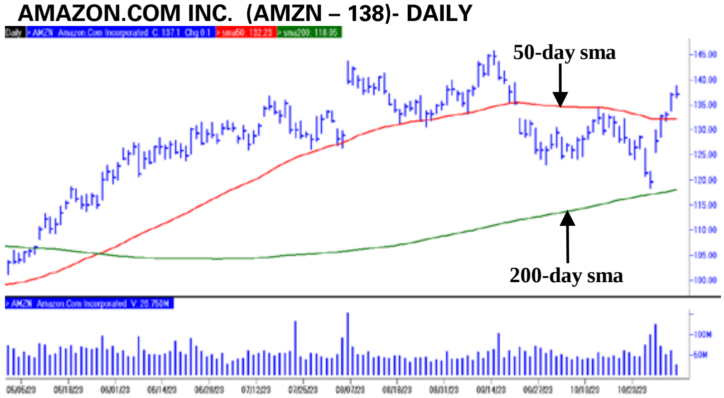
S&P 500 (SPX – 4317) – DAILY

NASDAQ 100 (NDX – 14919) – DAILY

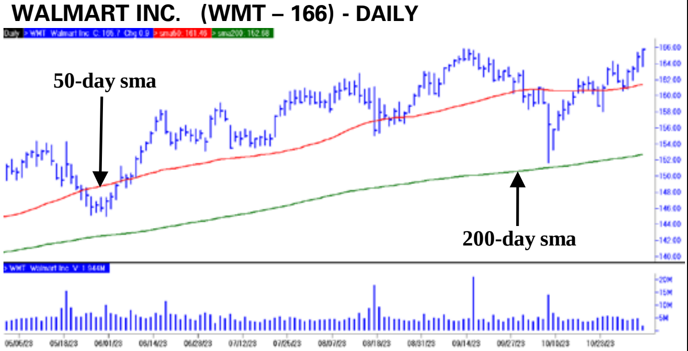
MICROSOFT CORPORATION (MSFT – 348) - DAILY



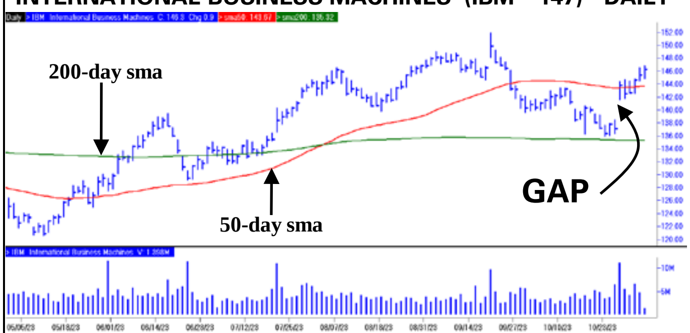
AMAZON.COM INC. (AMZN – 138)- DAILY



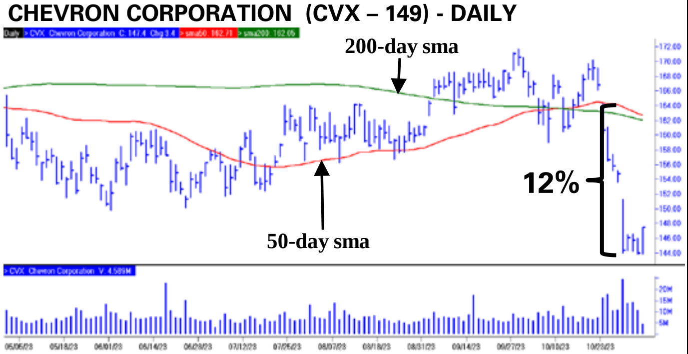
WALMART INC. (WMT – 166) - DAILY



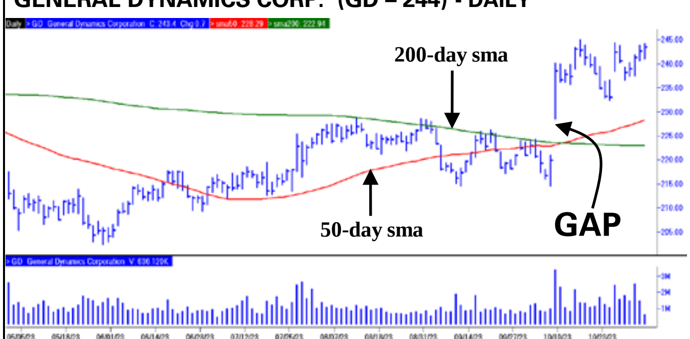
INTERNATIONAL BUSINESS MACHINES (IBM – 147) - DAILY



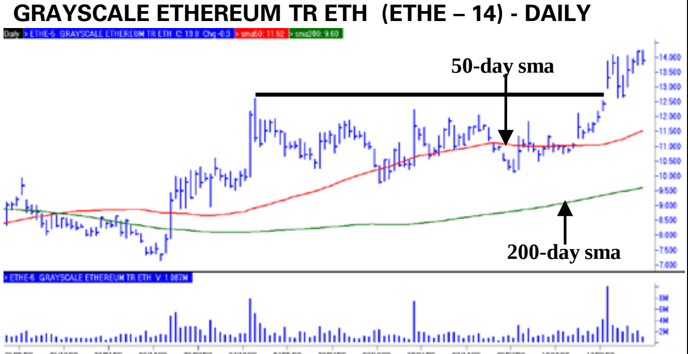
CHEVRON CORPORATION (CVX – 149) - DAILY



GENERAL DYNAMICS CORP. (GD – 244) - DAILY



GRAYSCALE ETHEREUM TR ETH (ETHE – 14) - DAILY



SPDR GOLD TRUST (GLD – 184) - DAILY