Wellington Shields

EQUITIES PERSPECTIVE

December 15, 2023
DJIA: 37,248

It's the most wonderful time of the year… thank you J. Powell. In reality, it's the market's momentum off of the October low that should be thanked. We have alluded to the 6-to-1 up day a couple of weeks ago and the 10- to-1 up day of 11/14, and now Wednesday's 7-to-1 up day. It's important to remember these occurred within a cluster of positive days, recently five, rather than standalone events. Stocks above their 200-day have more than doubled from the October low, and more than half of the S&P reached a 21-day high last week. This also happened a year ago when the market began an 8% rally. Perhaps most important in any discussion of momentum is the idea of its durability – it doesn't turn on a dime, rather it takes time to unwind. The other part of the analytical equation is investor psychology, or sentiment, always difficult to interpret this time of year. The VIX has dropped to 12 from the low 20s, not a worry in December.

It may be a wonderful time of year, but December isn't always easy. Recently, IBM (163) has outperformed Microsoft (366) and Intel (45) has beaten Nvidia (484). As measured by the Roundhill Magnificent Seven ETF (MAGS-33), those leaders have been stalled for a month now. We suspect this might simply be called December. Meanwhile, Monday saw six of our Other Magnificent Seven reach 12-month highs, and Parker Hannifin (455) had done so a few days earlier. Either we are better than we thought or there's more to this market than just Tech. Then, too, it could be an early indicator of a shift away from over priced/over loved Tech, but it seems a bit premature to go there. Certainly the charts are intact, and for now pause seems more the correct take. When it comes to our Other Mag Seven, the added appeal seems their long-term uptrends – see the monthly charts.

Of our Other Mag Seven, many have an economic leaning. We're thinking here of names like Cintas (563) and Fastenal (64) among others. Grainger (829) has a segment called "endless assortment," Cintas deals in uniforms and other workplace supplies, while Fastenal does nuts and bolts – not very techy techy, as Penny might say. That these companies act as well as they do helps assuage our worries about the economy. Nonetheless, and you can quote us here, you never know. While the tightening may be done the lag effects of that tightening may not be completely clear. On the positive side, the world did change in October. Yields peaked, the Banks and every other rate-sensitive area began strong rallies. Rates remain high enough to impact the economy, but the market has taken a decidedly optimistic view here.

Natural gas has been under pressure to the point that the worst may well be over. However, there is a seasonal pattern which started November 4 and will persist until February 15. During this period Nat Gas has been lower 25 of 32 years. If not lower, odds are for continued underperformance. Since Nat Gas is typically in Contango, a Spanish dance we presume, there is a downward bias to the UNG ETF (5), according to SentimenTrader.com. Also of note is an apparent washout in Consumer Staples. Back in October half of the stocks in the XLP (71) reached a 52-week low, capitulation sort of numbers. Stocks there above the 50-day were only 5% and since have moved above 80%. This sort of extreme momentum shift has led to higher prices in almost every case. The real impact starts around now, typically some two months after the washout.

Good news out of Powell? Who would've guessed. We had expected his usual "lean against" performance, which the market then ignores. The Fed it seems now sees what the market has been seeing for a while. Meanwhile, of course, it's the market that makes the news, and it's a market that has acted well since the October low. Someone once said the secret to forecasting is to keep forecasting. Forecasting is hard – we prefer to stick with observing. It's a strong market. When that changes we will follow the advice of Keynes and change our mind. The change, of course, will typically show up in the average stock rather than the stock averages. Through all this, there have been bad days, but no bad up days – days up in the Averages with negative A/Ds.

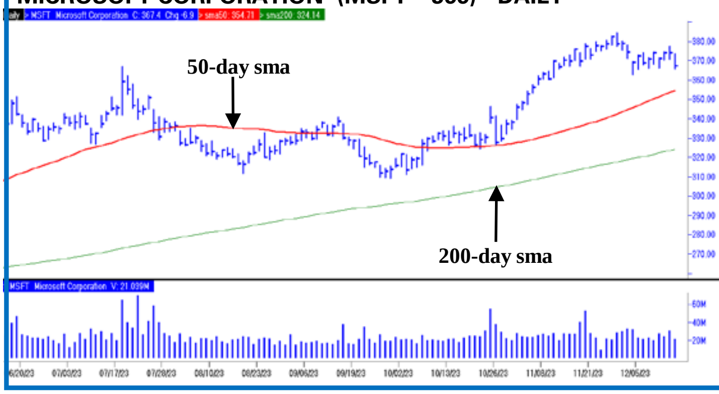
Frank D. Gretz

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

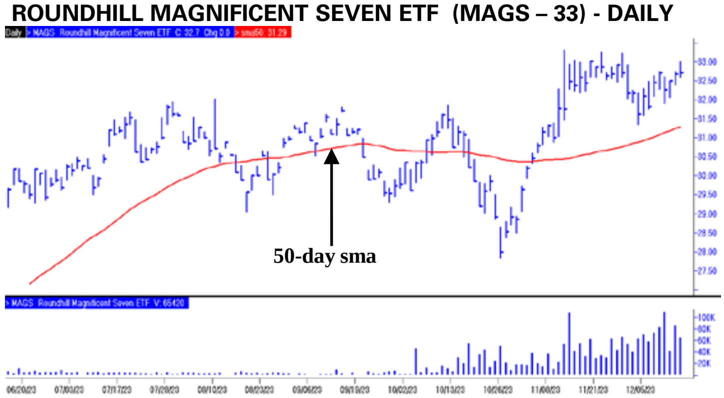
S&P 500 (SPX – 4719) – DAILY

NASDAQ 100 (NDX – 16537) – DAILY

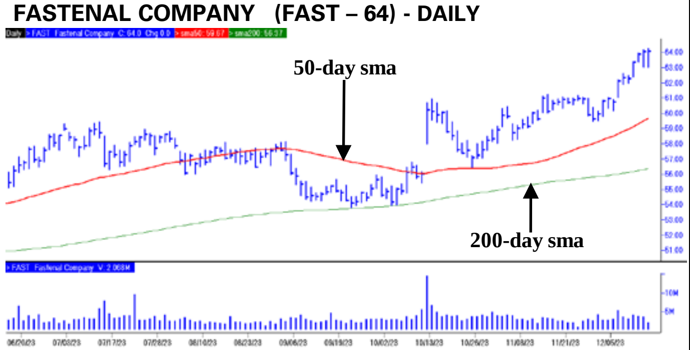
MICROSOFT CORPORATION (MSFT – 366) - DAILY



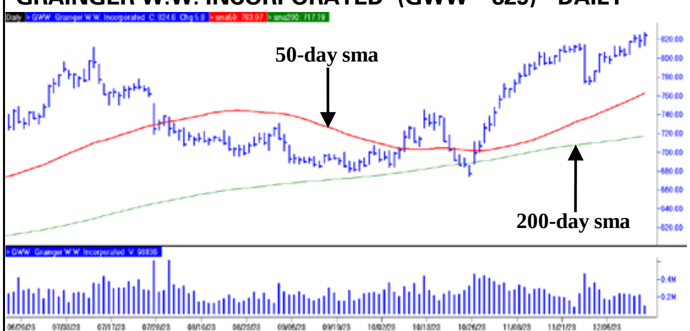
ROUNDHILL MAGNIFICENT SEVEN ETF (MAGS – 33) - DAILY



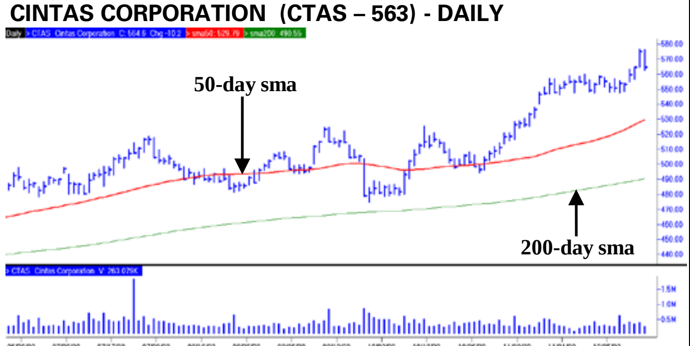
FASTENAL COMPANY (FAST – 64) - DAILY



GRAINGER W.W. INCORPORATED (GWW – 829) - DAILY

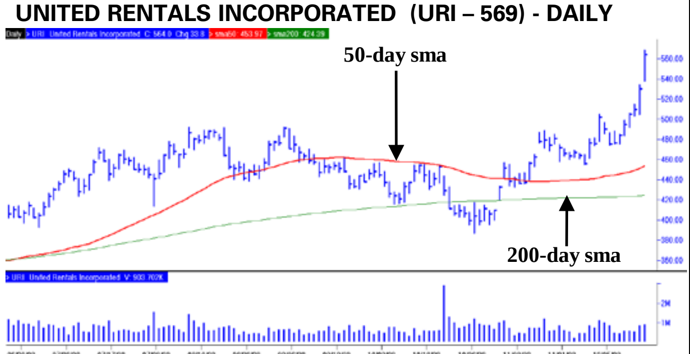


CINTAS CORPORATION (CTAS – 563) - DAILY



CONSUMER STAPLES SEL SECTOR SPDR (XLP – 71) - DAILY

UNITED RENTALS INCORPORATED (URI – 569) - DAILY



SELECT SECTOR SPDR TR - FINANCIAL (XLF – 38) - DAILY