Wellington Shields

EQUITIES PERSPECTIVE

April 19, 2024
DJIA: 37,775

The stealth correction … stealthy no more. Three better than 4-to-1 down volume days make this clear. Of course, we might have continued to skate by had it not been for a war or two. Technically strong markets often can get away with a surprising amount of bad news, technically weak markets, not so much. Just how weakened the market had become under the surface showed up in several ways, particularly those numbers on the NASDAQ. Fifty-two-week lows there jumped to 365 from 230 the previous week. That's a pretty big number given the market is down just a few percent. Clearly the Averages were masking some considerable underlying weakness, not unusual even at temporary peaks.

The picture on the NYSE isn't quite so dramatic. New highs there contracted but remain comfortably above the level of new lows. A problem here, however, is within the S&P 500 Index itself where more components reached a 52-week low versus those reaching a 52-week high. It has been a stretch of some six months since that has happened and of course, is another sign of deterioration masked by the S&P itself. SentimenTrader.com points out some interesting numbers here – when new highs in the S&P outnumber new lows, the annualized return is 12%, and when vice versa it's -1%. It comes down to a very simple principle in technical analysis, healthy markets are in sync, stocks move together. Fortunately, the A/D Index recently made a new high, no divergence there.

An unusual aspect of the recent weakness has been the volume pattern. We have seen three days with heavy down volume without an intervening day of heavy up volume. On the surface this might seem terrible, rising, volume and poor A/Ds – real selling. However, you need to keep in mind that it's selling and not buying that makes lows. Prices rise when the selling is out of the way. What is surprising is that this sort of washout selling should come just a few percent down from the recent peak. We suppose Middle East concerns have played some role here, but the numbers are surprising. Somewhat backing up this sort of panic selling is the VIX, which has jumped from less than 13 to more than 19 – the October low saw 22-23, by way of perspective. So, we're seeing numbers more often seen near the end of a decline, surprising but encouraging?

When markets correct and even the good go down, it's an opportunity to look at charts with a little different perspective. Celsius (70) seems a candidate here, one admittedly not so interesting from a daily perspective. Meanwhile, even a weekly perspective is quite different – a selloff down to a substantial base or support. The real story here, however, comes from a monthly chart, which needs little explanation. A big winner turned a bit ragged of late is Super Micro (928), trying to hold onto the 50-day. More worrisome than the price action is the volume pattern, one showing declining volume along each of the price peaks. The 800 area clearly seems important. Here too, however, a different perspective is more optimistic. To look at a weekly chart, the overall action seems no more than a consolidation in the uptrend.

Perspective seems important here in terms of the overall market. It has been a remarkable six months, including a number of unusual streaks. In this first little drawdown of the year a number of those streaks have ended, but their implications remain intact. Protracted momentum rarely leads to important price declines. This period should prove important for Tech earnings – the market rise owes much to the Mag Seven, where reporting has begun. Even these stocks have slipped a bit from their recent holding patterns, so earnings could prove important or, as Barron's John Authers puts it, they have taken on the aura of a macro event. Meanwhile, a number of replacements have come to the rescue – pretty much anything in the ground. We know, of course, it's hard to replace Tech.

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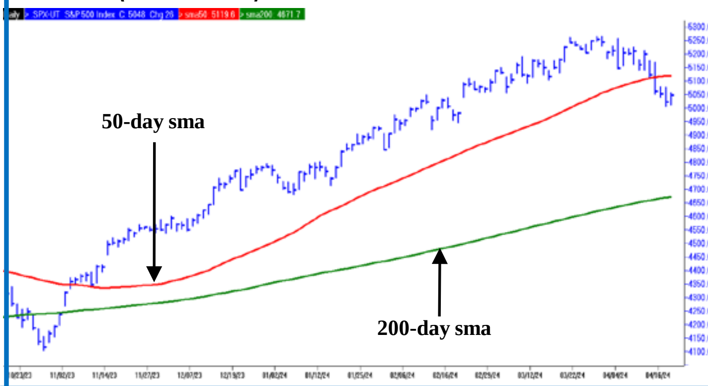
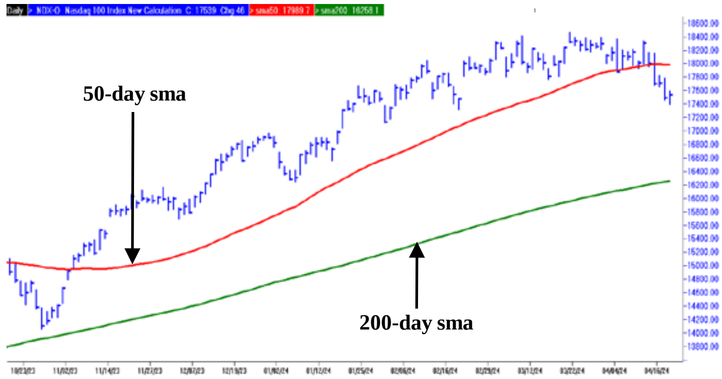
S&P 500 (SPX – 5017) – DAILY

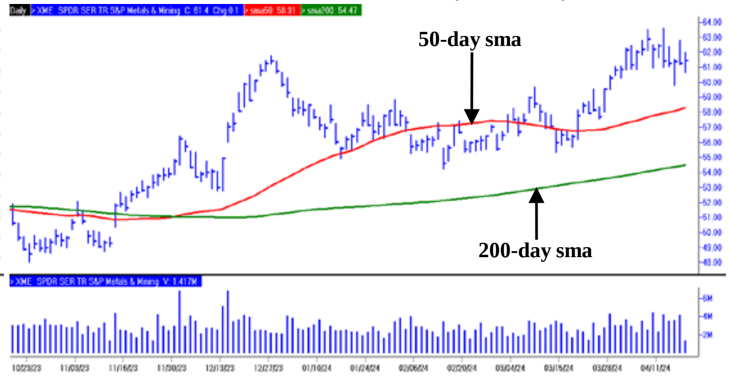


NASDAQ 100 (NDX – 17394) – DAILY

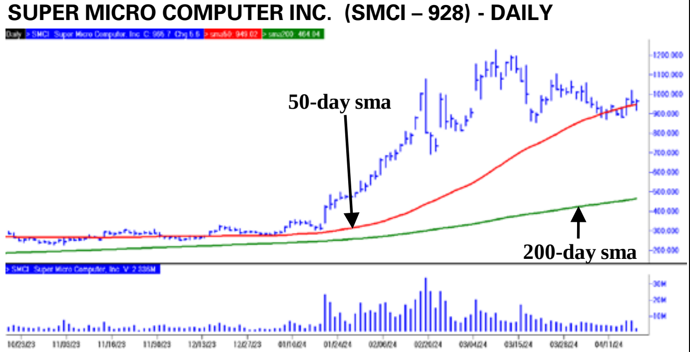


CBOE MARKET VOLATILITY (VIX – 18) - DAILY

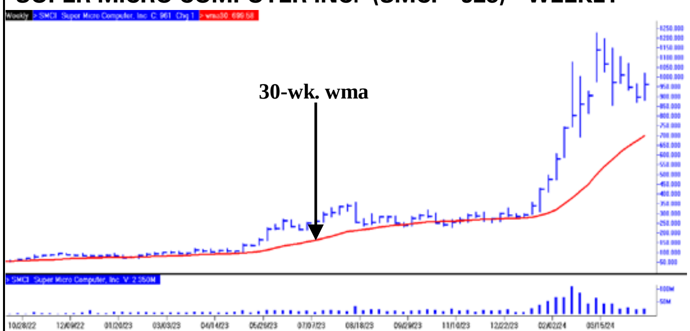
SPDR SER TR S&P METALS & MINING (XME – 61) - DAILY



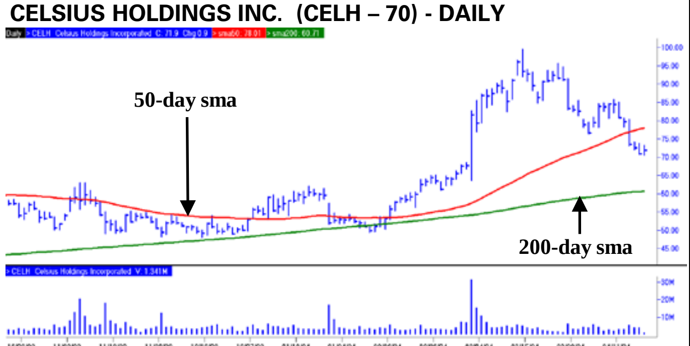
SUPER MICRO COMPUTER INC. (SMCI – 928) - DAILY



SUPER MICRO COMPUTER INC. (SMCI – 928) - WEEKLY

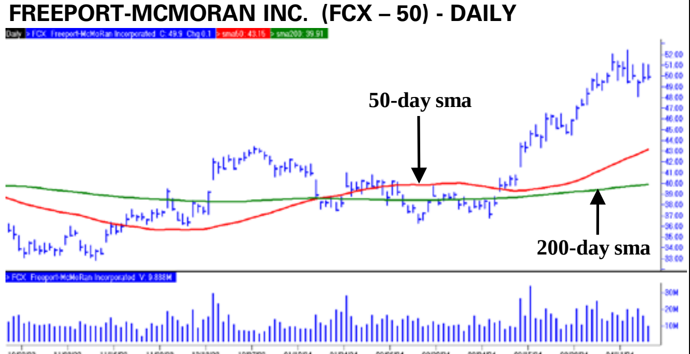


CELSIUS HOLDINGS INC. (CELH – 70) - DAILY



CELSIUS HOLDINGS INC. (CELH – 70) - MONTHLY

FREEPORT-MCMORAN INC. (FCX – 50) - DAILY



GLOBAL X SILVER MINERS NEW (SIL – 31) - DAILY