

EQUITIES PERSPECTIVE

April 5, 2024
DJIA: 38,596

April showers ... bring May flowers. That loosely also works as a market forecast. Given the technical background, we admit to surprise at almost any weakness. And, of course, we don't get the logic they should go down because they're up a lot. Uptrends differ, but to look at the S&P and its 21-day average, few have been more orderly. Where there are excesses they have calmed of late, while several dormant sectors have picked up, Gold, Copper, Uranium, Oil, "things" generally – see XME (61), the Metals and Mining ETF. The strong economy seems the excuse for the recent weakness, but excuse seems the operative term. The overall momentum says weakness should prove temporary.

Following five consecutive monthly gains simple logic suggests some give back should be expected. Of course, you might have said that after three or four months, maybe even two. More importantly, best to keep in mind the stock market is a place where simple logic rarely works. In this case, that seems true again. Following five consecutive months of gains in the S&P, a buy-and-hold strategy over the next nine months saw a 90% win rate, according to SentimenTrader.com. Momentum, especially big momentum, is a wonderful thing. A slightly different take here is the gain of 20% or more from a 100-day low with 10 or more days of 80% volume in advancing stocks. Again, returns were exceptional.

It's an AI World, but there are many guests that live in it. We wondered what was behind the move in Copper – China of course always comes to mind, but seemed unlikely this time around. Turns out, there is somehow a lot of Copper in AI. To look at the chart of Lincoln Electric (247), we used to joke there was a lot of welding involved. An area that does make sense is Electric Power, especially unregulated nuclear power provided by Constellation Energy (183). Bitcoin also uses a bit we understand. Nuclear in turn helps explain why those frustrating Uranium stocks have picked up again. And then there's Dell (127), now touted as an AI Infrastructure play. Meanwhile, for now Nvidia (859) is on break.

Fool us once, fool us twice, fool us three times and you must be United Healthcare (455). If you're there, you know what we mean. United Healthcare, with the possible exception of Molina (375), and the rest of the insurers have been disappointing. Hospitals are too crowded, not crowded enough. There always seems something. Now we find out this is a regulated industry, why don't we just buy a Utility. The stock's redeeming quality is its still reasonably intact long-term chart, but here we prefer something with an even better long-term chart like McKesson (535). The Healthcare ETF (XLV-142) has close to an 9% position in UNH, making it problematic. Then too, you also get an 11% dose of Eli Lilly (768).

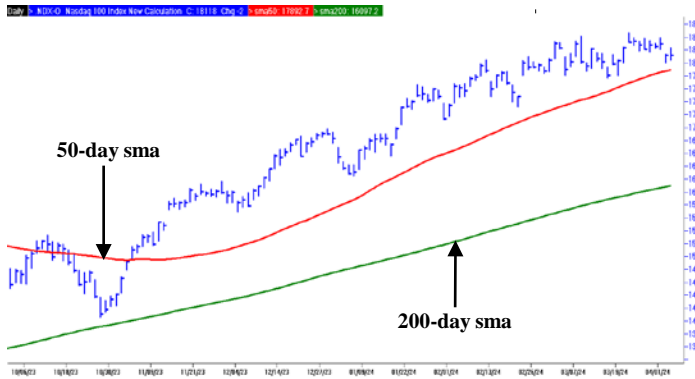
It's hard to understand the market's fixation on when the Fed will ease. It's not as though the economy and corporate earnings are not going well, the economy perhaps too well. And there's actually some history to suggest you sell on rate cut news. In any event, Powell recently stuck to the script, rate cuts are on their way. Gold seems to believe it, but there are many scripts Gold has failed to follow. Similarly, best not to overthink or think at all about the strength in Oil – lest you ponder whether World War III has already begun. Let's opt for the more mundane explanation of supply and demand – under-loved and under-owned. Meanwhile, after a couple of weak down days, Thursday's downside reversal caused some damage, dropping the S&P below its 21-day average. Now that the market is somewhat stretched to the downside, it will be important to see if the market can respond.

Frank D. Gretz

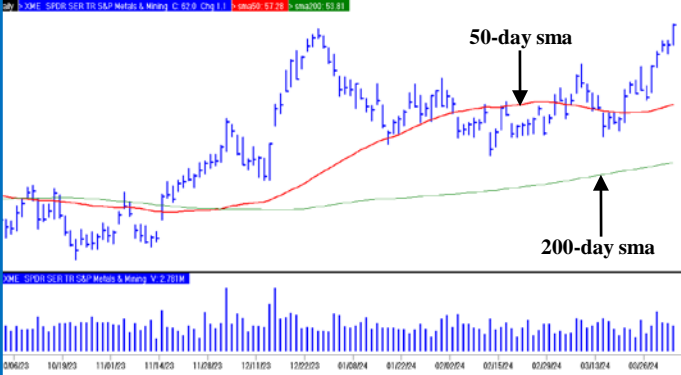
S&P 500 (SPX - 5153) - DAILY



NASDAQ 100 (NDX - 17878) - DAILY



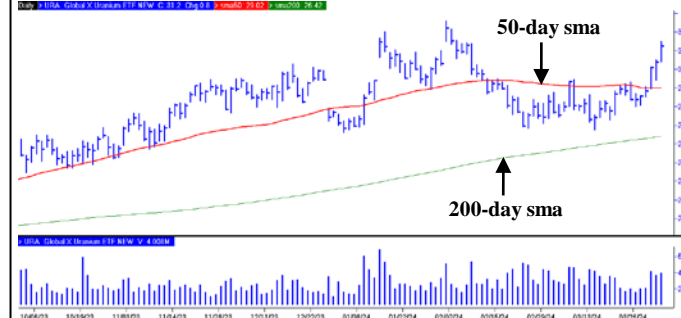
SPDR SER TR S&P METALS & MINING (XME - 61) - DAILY



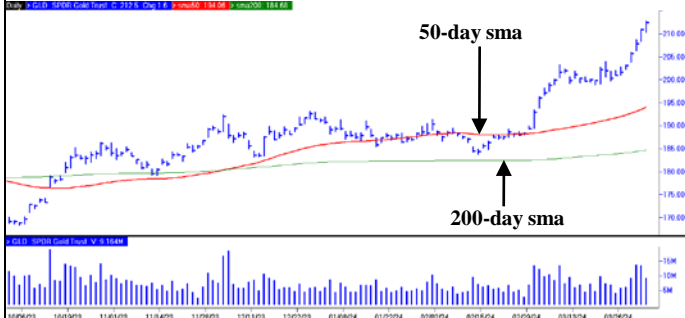
GLOBAL X COPPER MINERS NEW (COPX - 45) - DAILY



GLOBAL X URANIUM ETF (URA - 30) - DAILY



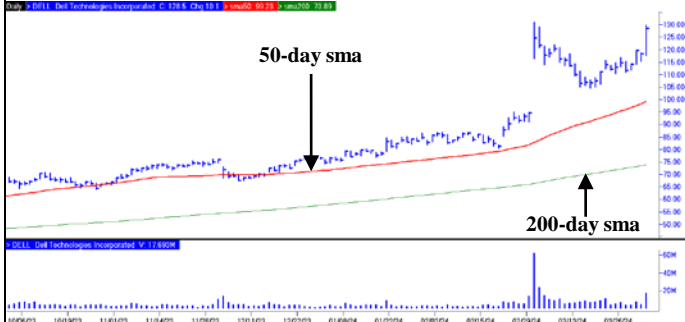
SPDR GOLD TRUST (GLD - 212) - DAILY



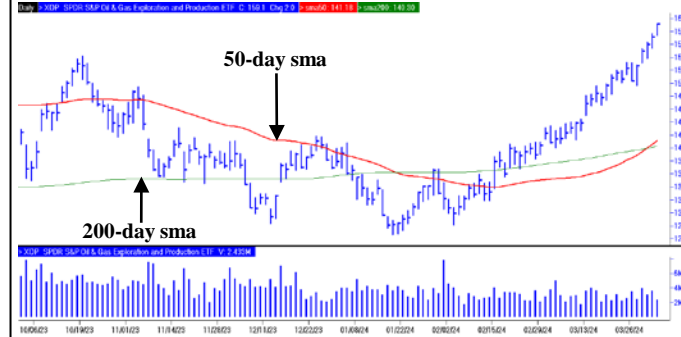
CONSTELLATION ENERGY CORP. (CEG - 183) - DAILY



DELL TECHNOLOGIES INC. (DELL - 127) - DAILY



SPDR S&P OIL & GAS EXPL & PROD ETF (XOP - 159) - DAILY



MCKESSON CORPORATION (MCK - 535) - DAILY

