Wellington Shields

EQUITIES PERSPECTIVE

May 10, 2024
DJIA: 39,387

Utilities … they're not your father's Oldsmobile. We should know, we have a Jetstar 88, one of those things you don't so much park, you dock. We also took heed of fundamental colleagues and sold some Constellation Energy (216). The thinking there was a lack of earnings growth, similar in retrospect to the thinking about Amazon (190) a few years back. Perhaps therein lies the tale of big winners – it's not the growth you see it's the concept that will lead to the growth. The earnings come later. The concept here, of course, is that Electricity is a growth business. Then there is the technical side, at the heart of which is supply and demand. How many Utilities do you own?

Admittedly, it's a bit concerning when the market starts to find stocks because they fit a story or theme. Amazon is doing well, let's buy the Containerboard stocks – that sort of thing. In this case, of course, it's about AI. What isn't? Did you know GPUs use twice the power of CPUs? Even if you don't know what GPUs or CPUs are, it could be reason enough to buy Utilities. Just imagine the power demand when we get to KPUs. The Utility ETF (XLU – 71) is almost a little stretched, but what big uptrend didn't start that way? And not all of XLU is Techy. There's plenty of granny stuff there. The stocks that stand out are Constellation Energy and Vistra (93). The latter on a monthly chart looks more Techy than Tech.

There is a negative out there that only we may be aware of, suggesting ours is a Keener insight than we realized, or more likely it's not all that important. As you likely know we pay considerable attention to price gaps, and loosely track them on a daily basis. A gap occurs when the opening price one day is well above or below the price of the previous day. In our less than scientific analysis we've noticed considerably more downside gaps lately than those to the upside. Given price tends to follow in the direction of gaps, this could be a problem. However, the bigger problem in this might be the reason for the gaps. Of course, it's always news of some sort – often an analyst call. For the most part, however, they follow earnings reports. The overall numbers say most companies aren't missing their estimates, price gaps suggest otherwise. Meanwhile, no harm no foul. The overall market backdrop seems fine.

In a reasonable confirmation of the uptrend's resumption, the major stock averages now are all back above their 50-day average. It seems worth noting, however, the Software ETF (IGV – 81) is not. And it's not just Microsoft (412) or Salesforce (275). The FANG names have been better, but they're not exactly running even a few weeks off the low. Meanwhile, with their respective gaps, 3M (97) and DuPont (79) – when was the last time you thought about buying that name – are acting quite well. If we wanted to, and we don't, it's too soon to be negative on Tech. We don't even think of this so much as rotation as we do expansion. Advance/Decline numbers remain a positive aspect of the overall background. In the selloff we saw some bad down days – it happens. In the rebound we've seen three consecutive days of 3-to-1 up – good, not bad up days.

A good rally, or a great rally, time will tell to coin a phrase. Certainly, this lift from a 5% correction has its credentials. There were those washout numbers on the downside, followed by impressive numbers on the upside – not classic, but likely close enough. Perspective also seems important here. Following five consecutive months of higher prices, history shows a better than 80% chance of being higher six months from now. Seems there's something about having that five months of momentum at your back. As always, it's about the average stock, the A/Ds more than the Averages.

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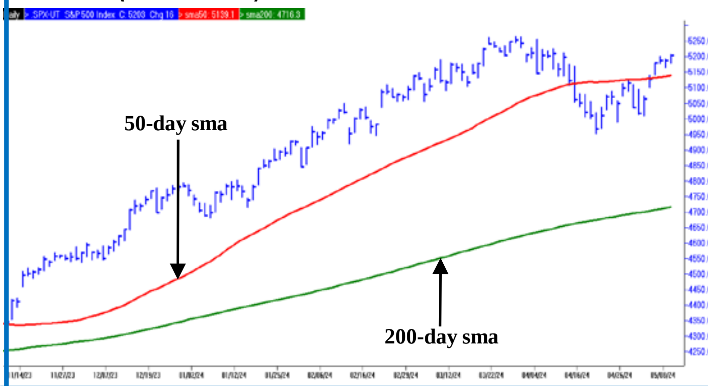
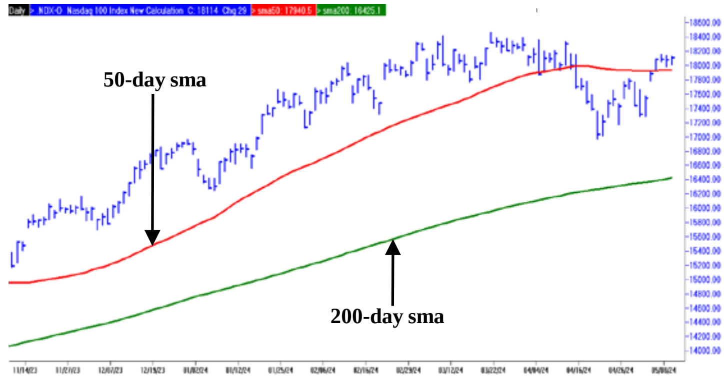
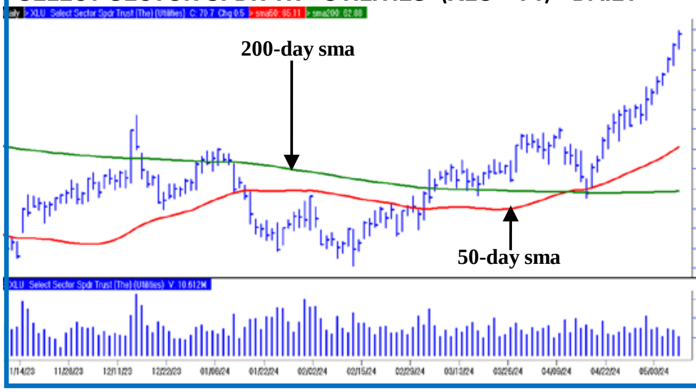
S&P 500 (SPX – 5214) – DAILY



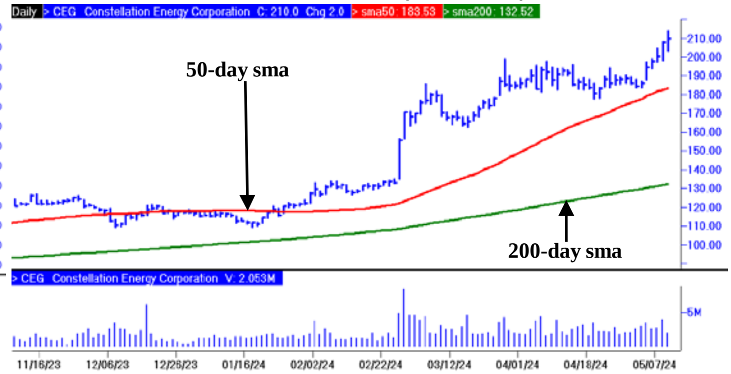
NASDAQ 100 (NDX – 18113) – DAILY



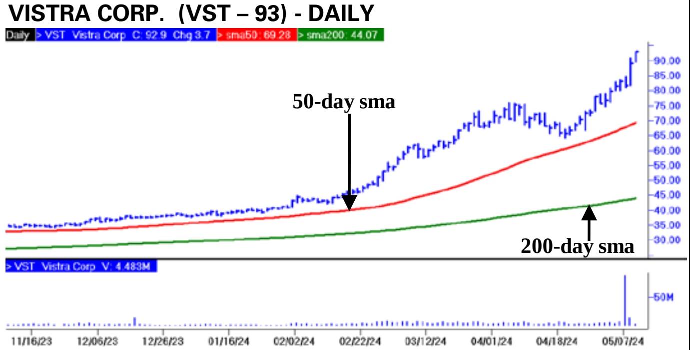
SELECT SECTOR SPDR TR - UTILITIES (XLU – 71) - DAILY



CONSTELLATION ENERGY CORP. (CEG – 216) - DAILY

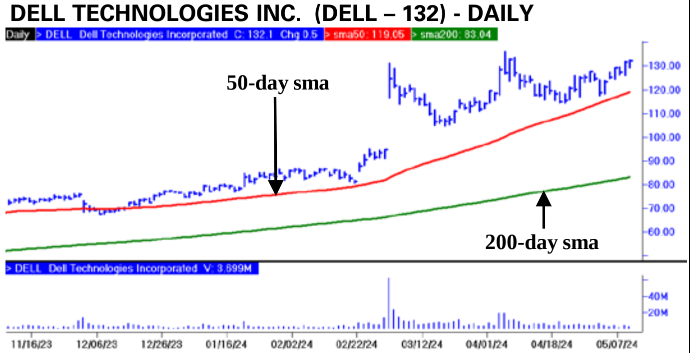


VISTRA CORP. (VST – 93) - DAILY



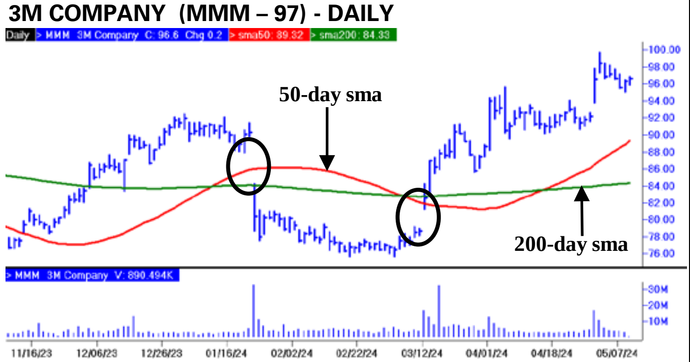
VERTIV HOLDINGS LLC (VRT – 98) - DAILY

DELL TECHNOLOGIES INC. (DELL – 132) - DAILY



MOTOROLA SOLUTIONS INC. (MSI – 360) - DAILY

3M COMPANY (MMM – 97) - DAILY



DUPONT DE NEMOURS INC. (DD – 79) - DAILY