

EQUITIES PERSPECTIVE

October 11, 2024

DJIA: 42,454

It's not that it's a bad month it's just tricky... it's October. More market lows happen in October than in most months, but more 5% corrections happen as well. A market low doesn't seem relevant here, and a 5% correction seems unlikely. Then, too, there's the little matter of World War III and the election and its aftermath. More important, of course, is the matter of a still healthy technical backdrop. There's plenty of jockeying around, but within the context of 70-80% of stocks above the 200, most stocks are in uptrends and the A/D Index is only a few days from its peak. The bad news is the good news of the economy has caused an uptick in yields, and a little shift in leadership.

Somewhat counterintuitively, it's not unusual for yields to rise following a Fed easing, and the better economic numbers have added a further push. The rise in yields in turn has changed the landscape a bit in terms of leadership. It has put pressure on those high-yielding, defensive sectors of which the Utilities are a prime example. The Utilities of course have had a great year, and therein lies the other problem. Some 90% are within 5% of 12-month highs. That's stretched to the point the odds of a further rise are greatly diminished. Stocks like Constellation (262), and Vistra (124) are quasi-Techs these days and Techs are acting better. Still, stretched is stretched.

Last Friday's jobs number was a positive surprise to which the market reacted in its typical knee-jerk way. This, of course, despite the many subsequent revisions to which these numbers are subject. We find most of this economic data pretty much useless, what is useful is the market's reaction to the news. A measure we do find useful, however, is the Citi Economic Surprise Index which measures economic reports against analyst expectations. After one of the longest negative streaks ever this measure has turned positive. When in the past these losing streaks ended, the S&P had a very high win rate over the next year.

If defensive stocks seem in for a rest, after their rest Tech seems on the rebound. Nvidia (135) isn't back to its highs, but it has managed to break the downtrend from back in June. And the Semiconductor ETF (SMH-255) is holding above its 50-day. They're also in a seasonally favorable period the next month or so. Defense stocks continue to act well, with XAR (157) and ITA (150) among the relevant ETFs there. Another possibility is the Industrial ETF (XLI-136), which includes Lockheed (597) and RTX (123) among its top 10 holdings. Also included there are PayPal (79) and Uber (78), both positive charts. We admit to rarely looking at the phone carriers like AT&T (21) and Verizon (43) and by association, T-Mobile (211). The latter, however, is completely different in that it is in both short and long-term uptrends. It's worth a look.

The key to this market, and indeed all good markets, is keeping things in sync. Most important there are the A/Ds. They don't have to be positive every day, but they have to keep up with the market Averages. Divergences between the two are what kills markets, though that takes time. For some reason, everyone likes to compare this market with '87 or 2000, while they could not be more different. In '87 divergences began in March and continued into the October crash. In 2000 they actually gave the divergence a name – new economy and old economy. When they give things a name, it is usually a late-stage phenomenon. Remember, down days happen, it's the bad up days that cause problems.

Frank D. Gretz

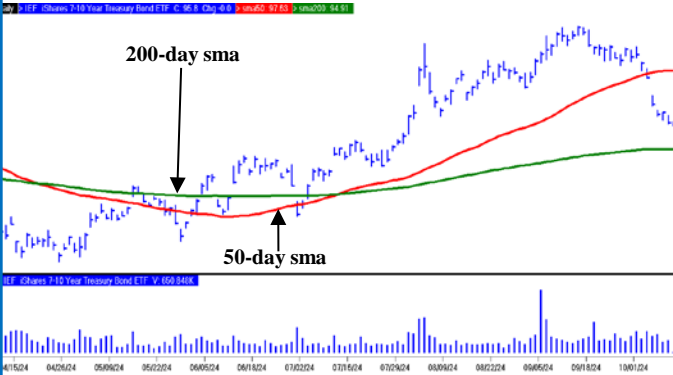
S&P 500 (SPX - 5781) - DAILY



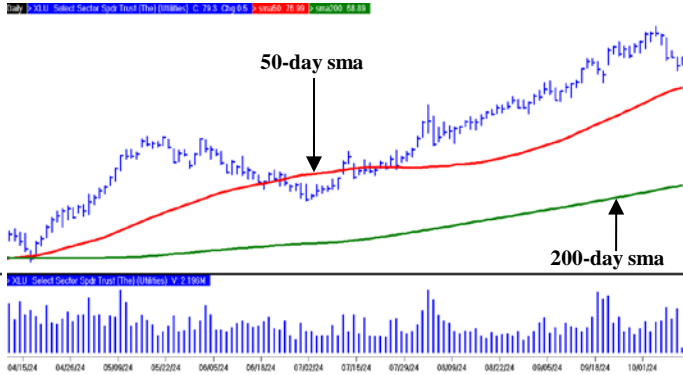
NASDAQ 100 (NDX - 20241) - DAILY



ISHARES 7-10 YEAR TREASURY BOND ETF (IEF - 96) - DAILY



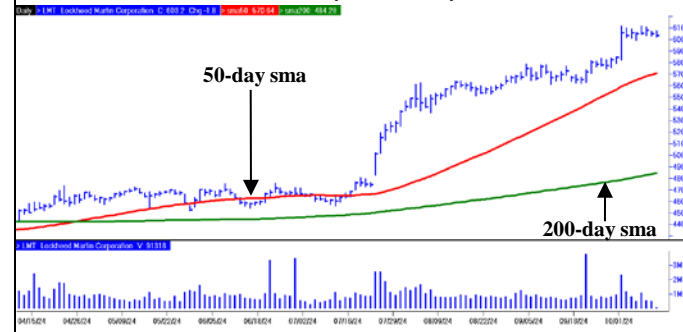
SELECT SECTOR SPDR TR - UTILITIES (XLU - 79) - DAILY



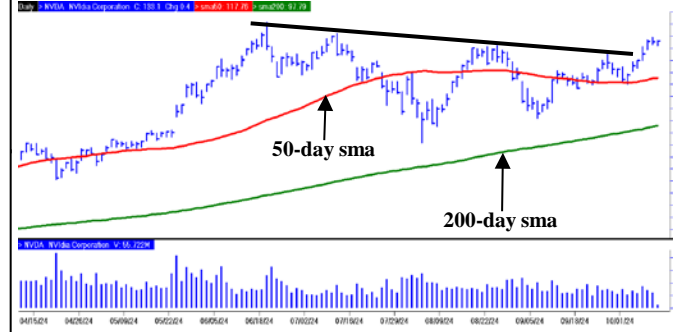
INDUSTRIAL SELECT SECTOR SPDR (XLI - 136) - DAILY



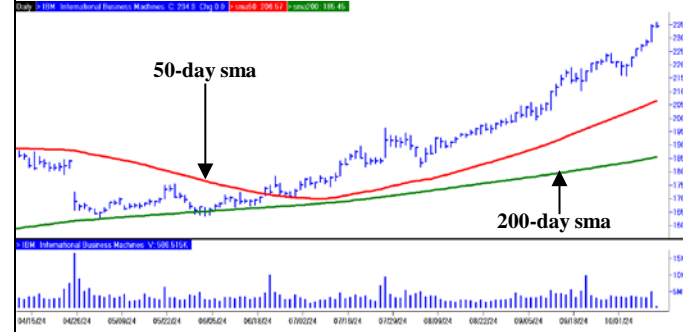
LOCKHEED MARTIN CORP. (LMT - 597) - DAILY



NVIDIA CORPORATION (NVDA - 135) - DAILY



INTERNATIONAL BUSINESS MACHINES (IBM - 233) - DAILY



MOTOROLA SOLUTIONS INC. (MSI - 465) - DAILY



GE AEROSPACE TRADING (GE - 188) - DAILY

