

# EQUITIES PERSPECTIVE

October 18, 2024

DJIA: 43,239

They were 4-to-1 up last Friday... congrats to all you great traders! Back in our days at the Bob Farrell school of technical analysis, a colleague once quipped he was a great trader, all he needed was a bull market. We are always reminded of that when we see unusually one-sided up days like last Friday. Keep in mind, too, A/D numbers like that are not unusual when coming off of a washout sort of low, but not so common in the midst of an ongoing uptrend. The 70-80% of stocks above their 200-day speaks to the latter. Simply put, this sort of momentum is impressive, and despite Tuesday's setback doesn't turn on a dime. At market lows stocks tend to bottom together, but stocks peak a few at a time.

This idea that market peaks are a process is what makes measures like the A/D numbers and stocks above their 200-day important. They measure the average stock and the average stock peaks before the stock Averages – the big cap Averages typically are the last to give it up. Of course this adds to the psychology of a top such that while many stocks may have already peaked, the market still appears to be holding. That means there's hope for the rest, but you know how that works out. When the Averages and the average stock diverge it doesn't end well, it's as simple as that. However, it doesn't end immediately. As we've noted many times, it was five months before divergences ended in the Crash in '87. Then, too, as markets narrow, unlike last Friday there are fewer and fewer great traders.

That Nvidia (137) should make a closing high on Monday, only to have the group take a big hit Tuesday, does seem a bit of a dirty trick. At the root of Tuesday's weakness was the weakness in ASML (701), not exactly Nvidia, but an important Semi Equipment manufacturer. And, of course, it took the whole area lower as well – KLAC (670), AMAT (183) and so on. Adding to the surprise here, Semis have just entered a seasonally positive couple of months, with a win rate of something like 80%. Of course volatility is not exactly unheard of when it comes to Semiconductors. If you don't care for volatility there's always our favorite Semiconductor, Lawrence Welk. Meanwhile, a distinction needs to be made between the equipment names and the rest, including names like Nvidia, Micron (112), Broadcom (182) and Marvell (80), the latter broke out amidst the Tuesday turmoil.

Amidst Tuesday's turmoil in Tech, it was bring your Financial stocks to work day. Tuesday's configuration was unusually positive in that the Averages were all weak while NYSE A/Ds were slightly positive. This will only happen when, because of their numbers, Financials are unusually strong or the Oils are unusually strong. It wasn't the Oils. It doesn't much matter how you get there, those numbers are impressive. So too was Wednesday's better than 3-to-1 A/Ds as the Averages recovered, not the bad up day about which we often warn. The tide, so to speak, may finally be getting around to even Bitcoin. The relevant ETFs here might be IBIT (38) for Bitcoin, and WGMI (21) for the Bitcoin Miners. Meanwhile, Gold looks ready to go again while Defense looks like a growth industry.

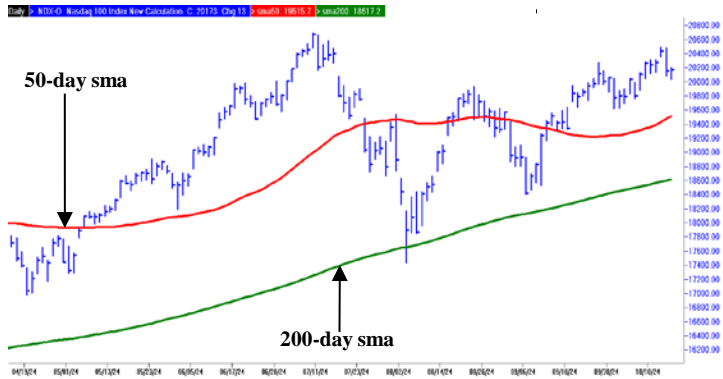
Back at the end of 1974 a technical analyst named Edson Gould, at the time as famous as any, correctly told an audience the bear market had ended. In disbelief they somewhat mockingly asked what he would buy. His answer was every third stock on the NYSE. It's easy to have that feeling now, where stock picking is almost a waste of time, and we're all great traders. It's fun while it lasts, it lasts until it doesn't, but when it doesn't there will be warnings in the average stock versus the stock Averages. Some sentiment measures already are over the top, and at a macro level equities are 25% of assets versus 15% not that long ago. These are not timing tools, but they offer a backdrop of concern should things begin to deteriorate.

Frank D. Gretz

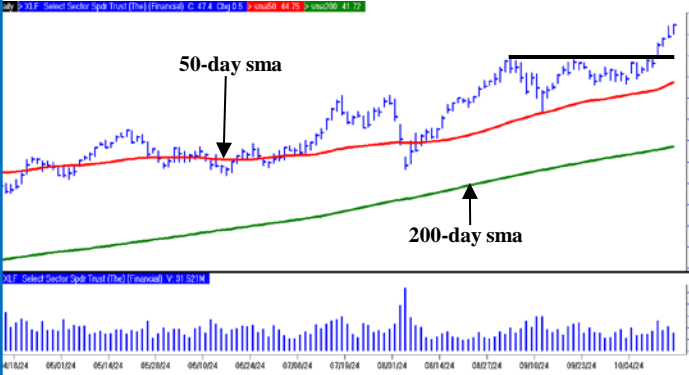
### S&P 500 (SPX - 5840) - DAILY



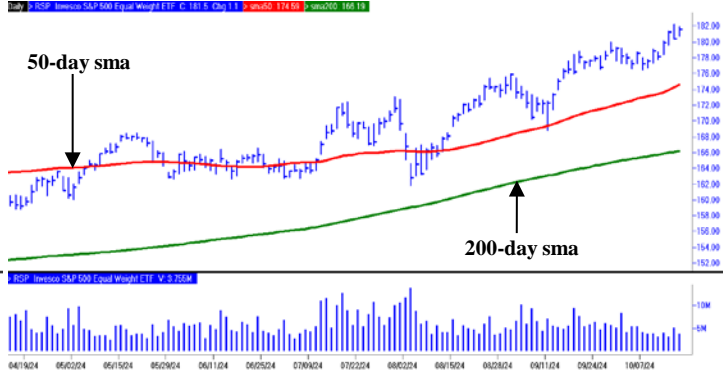
### NASDAQ 100 (NDX - 20190) - DAILY



### SELECT SECTOR SPDR TRUST - FINANCIAL (XLF - 48) - DAILY



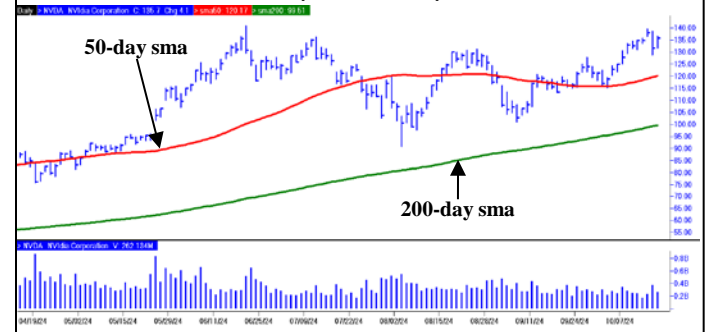
### INVESCO S&P EQUAL WEIGHT ETF (RSP - 181) - DAILY



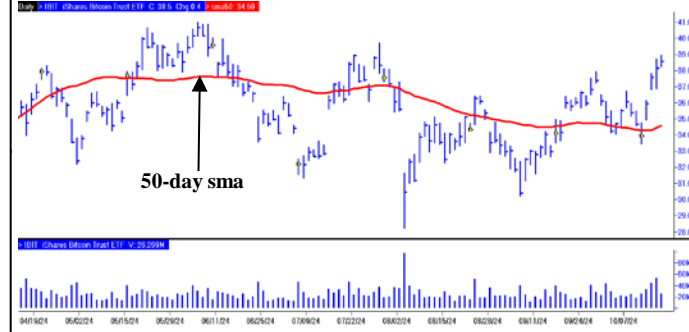
### VANECK SEMICONDUCTOR ETF (SMH - 252) - DAILY



### NVIDIA CORPORATION. (NVDA - 137) - DAILY



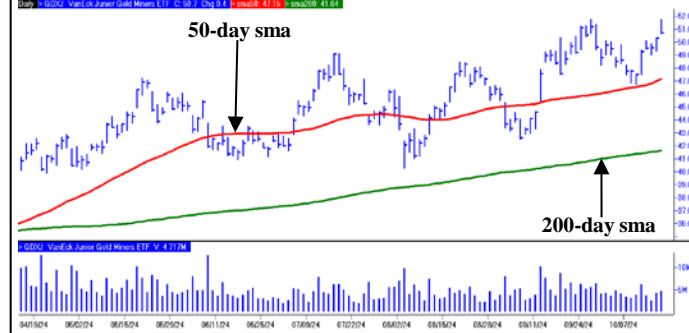
### ISHARES BITCOIN TRUST ETF (IBIT - 38) - DAILY



### SPROTT JUNIOR URANIUM MINERS ETF (URNJ - 26) - DAILY



### VANECK JUNIOR GOLD MINERS ETF (GDXJ - 51) - DAILY



### MCDONALD'S CORPORATION. (MCD - 315) - DAILY

