

# EQUITIES PERSPECTIVE

December 20, 2024  
DJIA: 42,342

Seems like old times ... 2000 maybe? The market that year was great while it lasted, or should we say while the dot-coms lasted. It was a market so divided they gave names to both segments – new economy and old economy. It was a market so selective you knew where you wanted to be, or should we say had to be to make money. We may not be quite there yet, and perhaps this market can pull itself together. But this is clearly more than your typical mid-December lull. NYSE A/Ds have been negative 9 of 10 days. For the S&P components, they even missed that up day! This against the backdrop of decent strength in the Averages, including a recent high in the NAZ. Divergences like these never end well, though their end is more than a little elusive.

Divergences come in all sizes, which is to say length. A few years ago, 2018 as we recall, at the end of October there were three consecutive days of higher highs in the Dow and negative A/Ds. By the end of December the market had dropped 20%, despite the favorable December seasonality. Then there was the '87 crash in October, where leading up to it divergences had begun in May, only to worsen by October. By then, of course, most had come to believe the divergences didn't matter. Most similar now, however, seems the dot-com period in 2000, the Mag 7 now filling a similar role. Just as the dot-coms dominated the NAZ then, so too have the Mag Seven done so now. Throw in this time the speculation in Bitcoin, and even worse the extremes in quantum stocks, it gets easier to say it's 2000 again.

Bubble, no bubble, semantics don't matter. There's often a bubble somewhere, bubbles are not the problem. The problem is when bubble stocks are going up pretty much to the exclusion of everything else. In a way they are the lazy traders dream – you don't have to look too hard for what is working, they are hard to miss. Narrow markets don't often re-expand, especially those with a bubble tinge. Then, too, Decembers are often an analytical enigma. For now the Round Hill Magnificent 7 ETF (MAGS-56), with just those stocks makes sense. The "493" isn't all bad, but even the good charts are pretty much dormant. When this changes of course you'll see it in those A/D numbers.

Obviously we favor the MAG 7. To those we would add several software shares which are holding reasonably well, namely ServiceNow (1075) and Salesforce (336). Semis, however, still seem a work in progress. And they are important in that we don't recall many good markets without their participation. Some have even referred to them as the new Transports, suggesting Semis should confirm the Averages as Transports should confirm the industrials under the Dow Theory. There was Broadcom (218) this week, but then too there was Micron (87). Possibly encouraging is the incipient turn in ASML (710) – above its 10 and 50-day averages. Among the Semis, this one could be predictive.

The A/D numbers have been particularly poor of late, not to the tune of Wednesday's drubbing but hey, you never know. Blame Powell if you like, but economic growth seems more important than the next rate cut – there the story seems intact. And Powell is just trying to get ahead of possibly needing to raise rates in a Trump administration. The Fed is an excuse for what markets always do – they make the news. As much as the degree of the decline the idea of pretty much getting into everything in just one day has the look of wash out, and there was a spike in the VIX. Then, too, days like Wednesday are not typically one-ofs.

Frank D. Gretz

### S&P 500 (SPX - 5867) - DAILY



### NASDAQ 100 (NDX - 21110) - DAILY



### IISHARES 7-10 YEAR TREASURY BOND ETF (IEF - 92) - DAILY



### SPDR FUND FINANCIAL (XLF - 48) - DAILY



### ROUNDHILL MAGNIFICENT SEVEN ETF (MAGS - 56) - DAILY



### AMAZON.COM INC. (AMZN - 223) - DAILY



### NVIDIA CORP. (NVDA - 131) - DAILY



### ASML HOLDING NV NY REGISTRY SHS (ASML - 710) - DAILY



### MICROSTRATEGY INCORPORATED (MSTR - 326) - DAILY



### QUANTUM COMPUTING INC (QUBT - 15) - DAILY

