Wellington Shields

EQUITIES PERSPECTIVE

May 16, 2025
DJIA: 42,323

Chase the bear or chase the bull…the Algos chase both. Sharp and quick declines ending in so-called V-bottoms have been more common since the 2008 Financial Crisis. And they do fit the somewhat contradictory mantra of this bull market – buy the dip, and chase strength. What is particularly positive about this market is that the chase has been true of the average stock as much as the stock averages. In someways even more so. An Advance/Decline index simply adds a day's net advances to a previous cumulative total. Such an index for the 30 Dow Industrials, the S&P 500 and the NASDAQ 100 all reached new highs last week while the respective indexes themselves were below their highs. That's quite rare and speaks to what you might call the market's internal or underlying strength.

If history is a guide, when it comes to markets it is only just that. Sadly, it's no longer the likes of Jesse Livermore driving markets, it's more Jesse.Algo – Things have changed. Still, human nature remains the same, as does momentum from whatever its origin. All this is to say the rally has impressive credentials, even for the longer term. What will lead to its demise is pretty much the opposite of what we just saw. While the stock averages will continue higher, the average stock will begin to lag. The A/Ds will narrow, worse still, turn flat in up markets. Similarly, stocks above their 200-day will stall and roll over. These would be signs the money is running out, and less money means less participation. One caveat in these numbers would be a move in stocks above the 200-day back above 70%, typically indicative of a new bull market. That in turn would take even longer to unwind.

So, the Saudi's are investing. We know little of their track record here, other than some long ago venture into Citigroup. We suppose they have been good shepherds of their oil, but that's not exactly something they invented. What is a bit worrisome is the history of foreign investing, thinking of Japan's untimely purchase of Rockefeller Center back when they were on top. Just saying – Not predicting. Meanwhile, the AI contingent with Nvidia (NVDA - 135) in the lead, has come storming back as has pretty much all of Tech. More than 40% of Tech recently were at new highs relative to the S&P. For some of the Semis, this was quite a feat. Software meanwhile is more than holding its own. And then there's Tesla, the car company/battery company/autonomous driving company/meme stock/cult stock. Whatever it takes, Tesla (TSLA - 343) finds a way higher. As CNBC's Mike Santoli cleverly quipped, "a stock that doesn't show its work."

When it comes to oil, the news is like a country and western song. Maybe that's a good thing – it can't get much worse. This makes it all the more intriguing that the stocks have held together reasonably well. Credit the breadth of the market or do better times lie ahead? At a scant 3% weighting in the S&P, things wouldn't have to get a lot better to have an impact on those stock prices. For oil and other commodities, helping in part is likely about a better look from China. And then there's Walmart (WMT - 96), with a long-term chart that is the envy of many Tech stocks. Despite the obvious impact of tariffs and the market's 20% drawdown, Walmart held together almost surprisingly well. Yet in some ways it shouldn't be a surprise. During uncertain times, when consumers pull back, Walmart has proven an unlikely beneficiary.

With tariff worries almost a memory and the market rallying, seems like nothing but blue skies. That's a bit surprising considering the long bond is near 5% again - a good excuse for a setback were one to come along. Fortunately, bad news seems to follow rather than lead price - sufficient unto the day is the evil thereof. Monday saw a great rally in the averages and a good rally in the market. Any day with 1000-point gain in the Dow has to be called a great day, even with only three-to-one up rather than five-to-one up. There are no bad three-to-one up days. Keep those coming and we're all great traders. Meanwhile, let's just stay away from the bad up days— up in the averages with flat or negative A/Ds.

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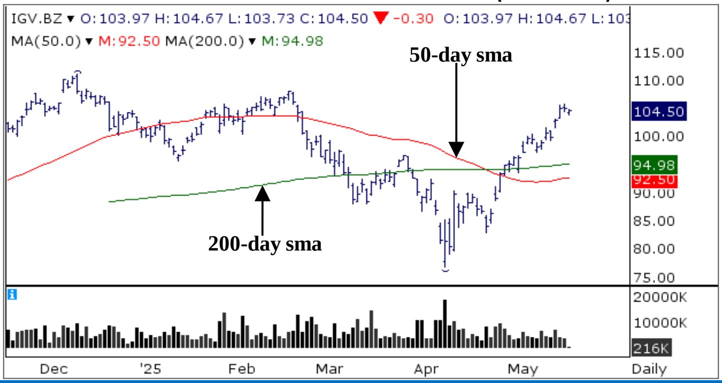
S&P 500 (SPX – 5917) - DAILY

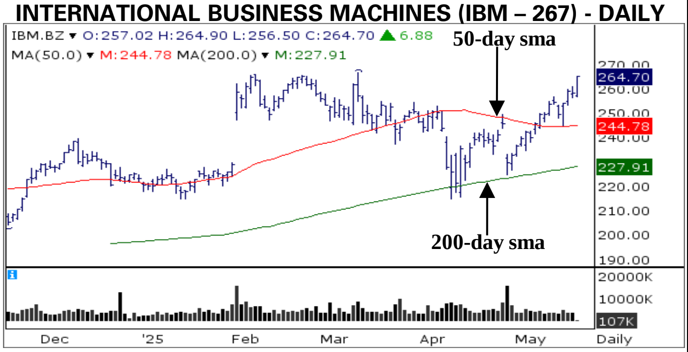
NASDAQ 100 (NDX – 21336) - DAILY

VANECK SEMICONDUCTOR ETF (SMH – 247) - DAILY

ISHARES EXPANDED TECH-SOFTWARE ETF (IGV – 104) - DAILY



INTERNATIONAL BUSINESS MACHINES (IBM – 267) - DAILY

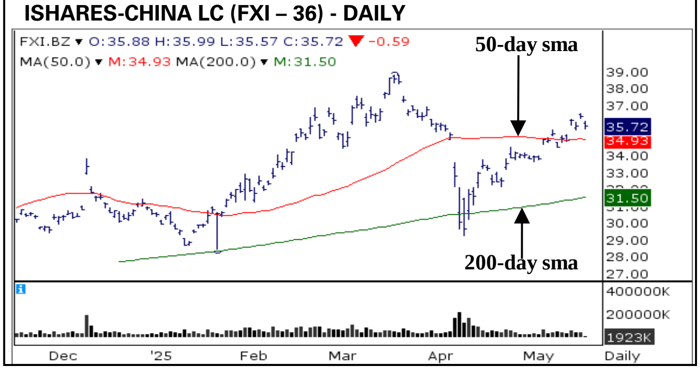


WALMART INC. (WMT – 96) - DAILY

TESLA INC. (TSLA – 343) - DAILY

ARISTA NETWORKS (ANET – 96) - DAILY

ISHARES-CHINA LC (FXI – 36) - DAILY



SPDR S&P OIL & GAS EXPL & PROD ETF (XOP – 125) - DAILY