

EQUITIES PERSPECTIVE

May 2, 2025
DJIA: 40,752

If half of your brain is technical and half fundamental... you probably have a migraine. Chaos seems the order of the day fundamentally, disruption to be a bit more kind. When companies stop forecasting or when like Delta they forecast with or without tariffs, that says a lot. Uncertainty may be the word which describes things best, and we all know how the market feels about uncertainty. The technical side has a different look. After all, 20% corrections don't come along because everything is peachy. The tariffs came along against a weakened technical background, but news somehow always seems to follow price. In any event, the decline has resulted in stocks above their 200-day dropping below 20%, while the VIX spiked and has significantly reversed - panic and an end to the panic. This is the backdrop typical of and needed for a viable low.

When conditions for a low seem in place, the next step is to look for evidence of that in the character of the rally which follows. The late Marty Zweig was a well-regarded technical analyst, perhaps best known for his indicator development. Among those was one involving unusually positive Advance/Decline numbers. The indicator measures NYSE advancing issues as a percentage of advancing and declining issues, to which a moving average is applied. Particularly interesting is the six-month timeframe, with 20 uninterrupted gains since 1938. A bit less complicated momentum reversal was apparent last week when on Monday fewer than 8% of S&P stocks advanced on the day and Tuesday some 98% advanced. Since the financial crisis swings like this have occurred near the end of the declines.

Assuming we have a credible low, the question next is how far it might carry. Someone knows, but they're probably living in the south of France and aren't telling. We will stick our neck out to say we won't go up every day as we have since last Monday. And we will even go on to say the S&P 50-day around 5700, pretty much where we are now, is a logical stalling point - even bull markets don't go straight up. Like the rally into mid-February and like all rallies they end when they do something wrong. Wrong in this case is the opposite of what we just saw at the recent low. Stocks above their 200-day average will stall and/or turn down, Advance/Decline numbers will do the same. We haven't said this in a while - beware of the bad up days, up in the averages and flat let alone negative A/Ds.

Gold, you might say, has been as good as gold. It may, however, be deserving of a rest, in this case not a euphemism for a big correction. Barrons featured Gold on its cover last weekend, not a perfect contrary indicator but there's little denying Gold is no longer a secret. Also, May and June are seasonally weak periods. Meanwhile, we once noted that just as you never see Clark Kent and Superman together, rarely do you see Gold and Bitcoin move together. Some of the reasons that have made Gold appealing are true as well for Bitcoin - primarily uncertainty. Bitcoin ran up following the election to the point that it was much like Gold now. The tipping point for Bitcoin seemed to be the announcement of the strategic reserve when, as we recall, bitcoin failed to rally. It now seems to have righted itself chart wise.

It seems even some technical analysts are leaning brain fundamental - thinking the rally will be of limited duration. That's a bit surprising but we get it, after all we're writing about it. It's not hard to look at the dark side, but as a colleague pointed out the same was true in March 2009. It's human nature to want answers but as Thomas Hobbes once wrote, the best prophet is the best guesser. New bull market or bear market rally? The only real answer is that time will tell. As an observer rather than a prophet - they look higher. Meanwhile, if Tech you must, software (IGV - 97.07) looks better than the semis (SMH - 212.30). Stocks like Netflix (NFLX - 1133.47), McDonald's (MCD - 313.50), GE (GE - 203.57) and Walmart (WMT - 97.39), the ETFs ARKK (50.71) and MTUM (211.49), also seem attractive.

Frank D. Gretz

S&P 500 (SPX - 5604) - DAILY



NASDAQ 100 (NDX - 19786) - DAILY



ISHARES EXP TECH-SOFT (IGV - 97) - DAILY



VAN ECK SEMICONDUCTOR ETF (SMH - 212) - DAILY



MCDONALD'S CORPORATION (MCD - 313) - DAILY



MCKESSON CORP. (MCK - 706) - DAILY



NETFLIX (NFLX - 1133) - DAILY



GE VERNOVA INC. (GEV - 382) - DAILY



ISHARES BITCOIN TRUST ETF (IBIT - 54) - DAILY



WALMART INC. (WMT - 97) - DAILY

