

EQUITIES PERSPECTIVE

July 18, 2025
DJIA: 44,484

Stocks don't peak on bad news... the news is always good. We are thinking of course of Nvidia (NVDA- 173), and before we go further, there is no important peak here, meaning no imminent downtrend. However, the new China deal did seem as good as it gets and to damn with faint praise, at least the stock didn't reverse to the downside. Meanwhile, the very next day ASML Holdings (ASML - 745), the maker of the stuff that makes the stuff, tanked more than 10%. It's enough to make your brain hurt. Tech isn't going away, and you can quote that, but suppose as always happens in the stock market, emphasis shifts even a bit from well-loved and well-owned Tech, to the elsewhere of something else - Metals, Crypto, something. Gold/Silver has been good and looks higher, don't drop it on your foot stuff as well. Crypto could be in a blowoff phase of its own. Keep in mind, bull markets don't go out with a whimper, there's usually a speculative binge somewhere.

We tend to believe there has never been a shortage that hasn't been met. Happily, these days there even seems no shortage of good ideas. As for the Semis, there is a long history of shortages and even now. Shortages here have been followed by double ordering, followed by overbuilding, followed by a glut - it's called human nature. There seems there's a shortage now in what they aptly call Rare Earths, a shortage that has come and gone a few times. It seems more than a little surprising that we should suddenly decide to sell Nvidia chips to China, or does it speak to the desperate need for Chinese capacity in this rare again commodity? To look at stocks like MP Materials (MP - 60) or the Rare Earth ETF, REMX (49), the charts don't just say shortage, they scream it. The question is not if, but when will the shortage be met?

In our youth just those few years ago, we assembled what then were called model airplanes, some of which actually flew - for a while. Who knew we were on the cutting edge of today's defense technology, what they now call Drones. In technical terms, the stocks are hot. Compare, for example, stocks like AVAV (279) and KTOS (59) to traditional names like Lockheed (LMT - 469). Then, too, RTX Corp. (RTX - 152) is just fine, as are the representative ETFs, XAR (223) and ITA (196). We had thought the stocks might retrench following the seemingly successful Iran event, but what were we thinking? Defense spending is forever! In this arena, it's easy to forget good old GE (261) up some 100 points from its April low - is GE still in the Dow?

Wednesday saw a testing of the waters in terms of firing Powell. Markets revolted - stocks, bonds, and currencies. So much for that you might think, these days you never know. If the goal is to lower rates by now we all know to ask, which rates? The Fed lowered rates a full percentage point late last year while the benchmark 10-year treasury yield rose by that much. For a generation that knows only low inflation and low interest rates, especially rising mortgage rates are a bit of a shock. Removing Powell for cause won't fool anyone, rather it will be seen as an attack on the Fed's independence and markets won't like it. At present inflation is declining and unemployment is low, why mess with it.

Following 10 of 12 positive days in terms of the A/Ds, you might say Tuesday's 4-to-1 down day was a bit of a surprise. Bad days happen, bad-up days are the problem. Momentum in the Tech sector has cycled positive after seeing 80% of the stocks down 20% in April. And there is the S&P's Golden Cross, which bodes well for prices 9-12 months out. This sort of momentum should at least allow us to muddle through. Signs that we could do even better came Thursday in the form of gaps higher in PepsiCo (PEP - 145) and Johnson & Johnson (JNJ - 163). Staples and Drugs have been less than stellar performers, this action suggests there is a pulse outside of Tech. And, indeed, there is to look at the Nuclear/Uranium stocks, Crypto and Precious Metals. Positive action in stocks like Ingersoll Rand (IR - 88), Illinois tool (ITW - 258), Parker Hanafin (PH - 723), and Temkin (TKR - 79), also would suggest positive things for the economy.

Frank D. Gretz

S&P 500 (SPX - 6297) - DAILY



NASDAQ 100 (NDX - 23078) - DAILY



GE AEROSPACE (GE - 261) - DAILY



KRATOS DEFENSE & SECURITY SYST (KTOS - 59) - DAILY



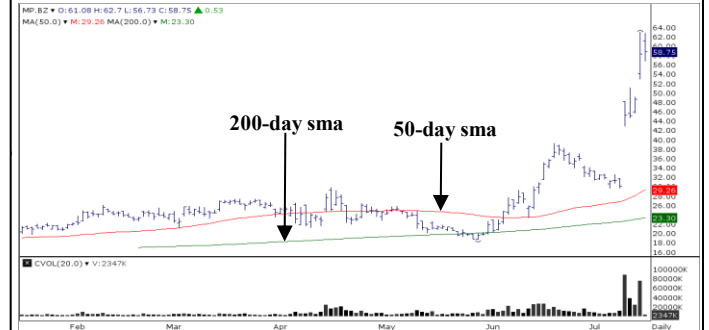
SPDR S&P METALS & MINING ETF (XME - 75) - DAILY



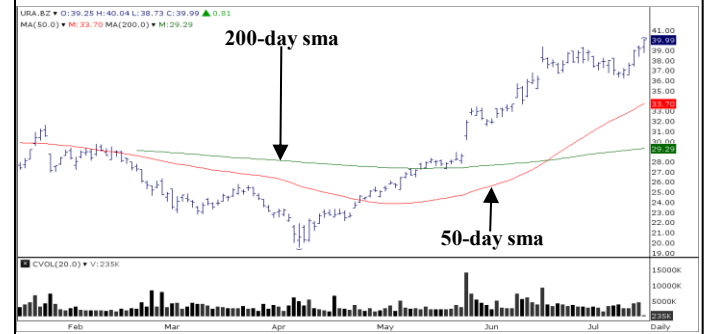
GLOBAL X SILVER MINERS ETF (SIL - 49) - DAILY



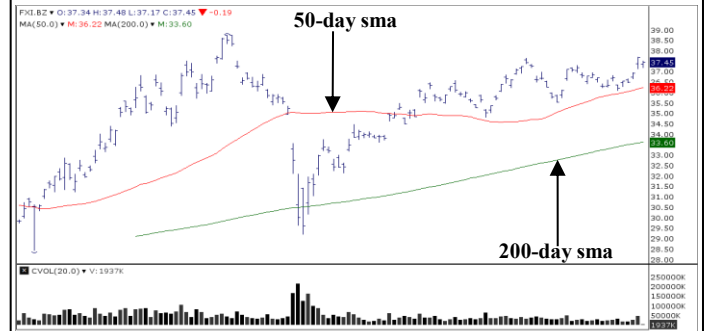
MP MATERIALS CORP. (MP - 60) - DAILY



GLOBAL X URANIUM ETF (URA - 40) - DAILY



ISHARES CHINA LARGE-CAP ETF (FXI - 38) - DAILY



JOHNSON & JOHNSON (JNJ - 163) - DAILY

