

MARKET NOTE . . .

EQUITIES RECOVERY

If you are light on most Tech, have a little Healthcare, Commodities and especially Precious Metals... Life is good. Life was good last year if you were pretty much all-in on Tech, especially of the AI variety. The moral to the story of course, things change. The further moral seems it's not if you're in the market, but where you are in. IBD argues that at least 70% of a stock's movement is the function of the overall market trend. We would argue another 70% is about group or sector behavior – don't mention that math to our eighth-grade nun. What they loosely call secondary stocks have been the winners of late, see IWM, or IJT, or even the Equal Weight S&P. If you're buying the ETFs themselves, this is good to know. Meanwhile, if you're not buying an entire index, there are distinctions to be made. Certainly not all large caps are bad, certainly not all small caps are good.

An excellent example here might be Semiconductors versus Software. There are not many bad Semis, large or small, and there are not many good Software stocks, large or small. An even more obvious example is the Gold stocks. Both large and small are performing well. And we're seeing more and more improvement in Industrial Metals. Even Oil has greatly improved, perhaps mainly because it is another Commodity. Participation is the key to a healthy market, and participation has improved even in the last couple of weeks. Advancing issues versus those declining are better, stocks above their 50-day average are now in the upper 60s, no longer stuck in the 50–60 range. Part of this too is about an improvement in Staples like Colgate (CL – 86) and, finally, Costco (COST – 976). As for the news flow of late, remember it's the market that makes the news.

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ISHARES S&P SMALL CAPGRO ETF (IJT – 153)



ISHARES RUSSELL 2000 ETF (IWM - 270)



STATE ST CONSUMERSTAPLESETF (XLP – 82)



INVESCO FOOD & BEVETF (PBJ – 47)

