

EQUITIES PERSPECTIVE

May 1, 2026
DJIA: 49,652

It's Biblical... the geek shall inherit the Earth. And, apparently, space as well. The geek of the week at least last week were the Semis, what's new? Indeed, the SMH (507) of late gives new meaning to the uselessness of terms like overbought and oversold, those measures known as mean reverting. Studies have found them as much as 80% accurate, the catch being they're likely to lose 80% of your money. Using the spread between SMH and its 50-day moving average as a guide, buying oversold was a bit early, but lucky it didn't become worse. The real disaster here was selling early when the ETF became "overbought." Extreme overbought levels are a good sign as that kind of momentum tends to persist.

Rather than waiting for those mean-reverting measures to live up to their name, best to look to trend-following measures which, as the name suggests, keep you on the right side of good and evil. Choose your poison, as they say, pretty standard here is a 50-day moving average. The SMH recently was some 20% above that 50-day, more than a little stretched by historical standards. Again, a good sign as strength begets strength, but nothing goes straight up. We are certainly not negative on Semiconductors, and if so unlikely brave enough to put it in print. There is a point, though, where Nvidia (NVDA - 200) meets Newton. Who knows where or when, but the Magnificent Seven ETF (MAGS - 66) might offer a bit of a template.

Oil stocks have performed well for obvious reasons, but the nature or depth of the strength seems to have changed. From the knee-jerk reaction buy Exxon (XOM - 155) and Chevron (CVX - 193) the strength has broadened to secondary Producers and more recently to the Oil Equipment names. We have called Transocean (RIG - 7) the canary in the oil patch in the sense that when even that goes, you know, the move is indeed broad. This seems positive and suggests, dare we say it, something fundamental rather than just knee-jerk. The other important change relates to the intangible we have observed in the market itself, the ability to ignore bad news. At the start of all of this any hint of peace sent Oil stocks lower, while recently not so much.

For all the hoopla over Wednesday night's earnings, you might call it a tie. In terms of job security Amazon (AMZN - 265) and Alphabet (GOOG - 382), that is, the good charts outperformed the lesser META (612) and MSFT (408). The MAG Seven ETF seemed to reflect this, opening pretty much unchanged. Perhaps more significantly, the ETF reflects an important positive change. Following a peak back in November and real weakness starting in January, like most of Tech it turned late last month. And like most of Tech the turn was quite dynamic, barely hesitating at the 50-day. In keeping with the idea, nothing goes straight up, it is in a minor hesitation or what they call a flag pattern. If indeed it comes out of this to the upside, as we think likely, it should extend the advance. SMH is yet to consolidate in similar fashion but should it, MAGS could prove a template of sorts.

We have viewed the war as a two-part problem. The fury part, possibly including boots on the ground, and the economic part. The Strait of Hormuz remains closed, and Brent hit \$120, the highest yet and the Fed seemed to get it as well. At its start the war was supposed to end in a matter of days, Polymarket now puts the Strait reopening at only 50-50 by the end of June. Oil and the S&P had traded inversely at the start of this, but no longer. Sure earnings are good, but still. Seems best not to overthink this, rather to stick with the technical basics. Wednesday was not a pretty day looking of course at the better than 2-to-1 down numbers. Bad down days happen even in good markets. It's the bad up days, up in the averages with poor A/Ds that are the worry. Thursday saw good A/Ds in the rally, but it's important to keep track here.

Frank D. Gretz

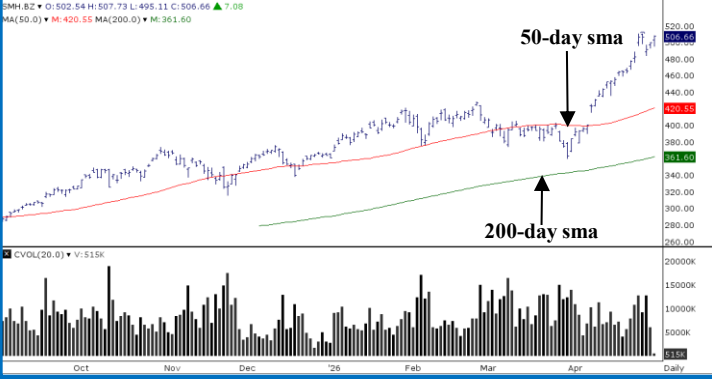
S&P 500 (SPX - 7209) - DAILY



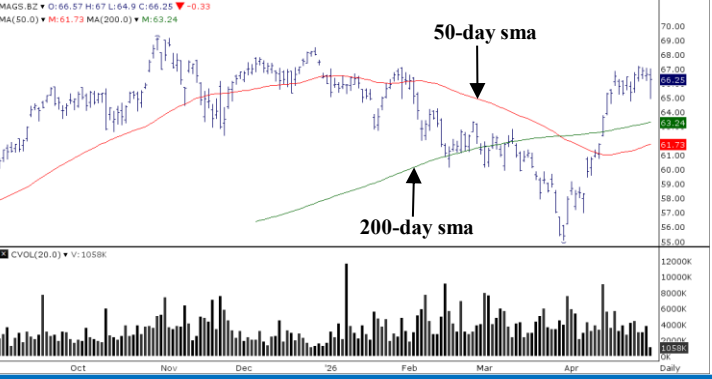
NASDAQ 100 (NDX - 27452) - DAILY



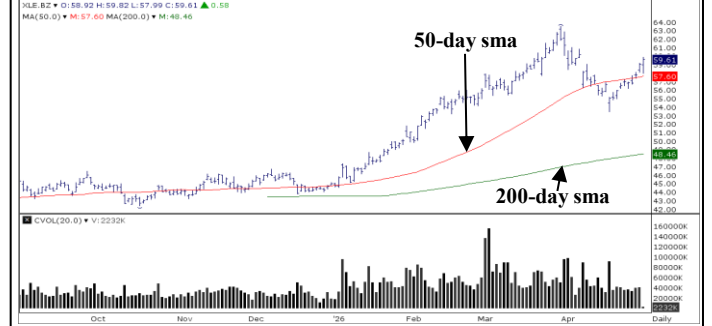
VANECK SEMICONDUCTOR ETF (SMH - 507) - DAILY



ROUNDHILL MAGNIFICENT SEVEN ETF (MAGS - 66) - DAILY



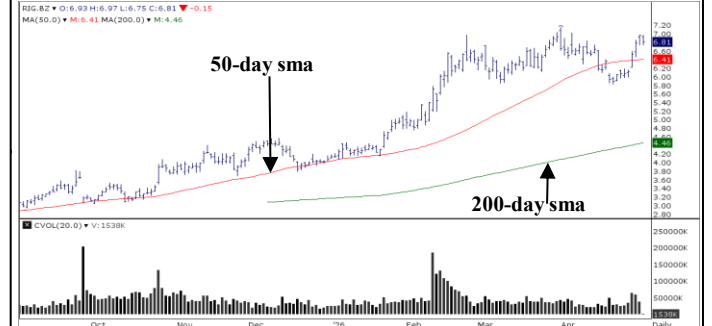
STATE STREET ENERGY ETF (XLE - 60) - DAILY



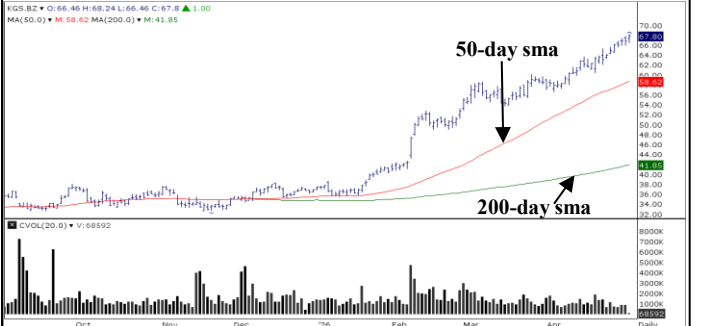
NOKIA (NOK - 13) - DAILY



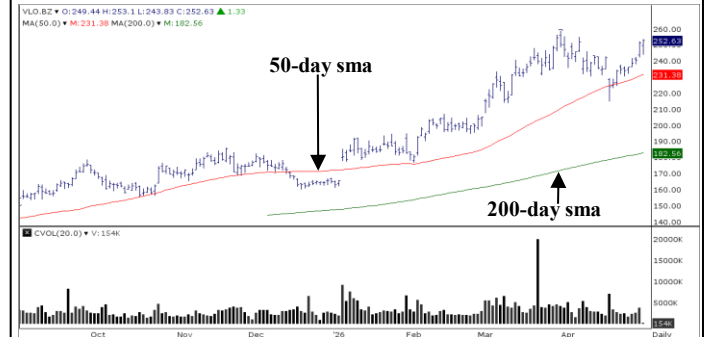
TRANSOCEAN LTD (RIG - 7) - DAILY



KODIAK GAS SERVICES (KGS - 68) - DAILY



VALERO ENERGY CORP. (VLO - 253) - DAILY



ALPHABET INC CL C (GOOG - 382) - DAILY

