

EQUITIES PERSPECTIVE

May 22, 2026
DJIA: 50,286

Bad up days, good down days... miss the time when most days most stocks went up. We whined last time about the bad up days — those days up in the averages, but not up in the average stock. Monday we saw the opposite, a particularly bad day in the averages, but a decent day in the average stock. We're not going to tell you Monday was fun, losing money never is but overall, it set up a healthier environment. When the average stock and the A/Ds are positive, the averages will take care of themselves. Participation is the key to healthy markets, and of late it has been in decline. New highs outnumber new lows, but the spread has significantly narrowed, suggesting fractured participation. More worrisome is the drop in stocks above their 200-day to less than 50% while the S&P dances around its highs, well above its own 200-day. That's quite a divergence.

If Tuesday wasn't any fun, Wednesday was. Not only was it a good day, it was a technically good day, not one of those bad up days. Indeed, it has been an ongoing positive characteristic of this market that bad days are not followed by technically bad days. When we have seen advance/decline numbers one sided down as we did Tuesday, we might have seen flat or minimally positive numbers in an ensuing rally. Wednesday's numbers were almost 3-to-1 up. If that changes, that's the time to worry. One day of course, it's just that. Many of the best one-day rallies have come in bear markets, not that this is a bear market. If Wednesday was the start of a real positive change, the key is follow-through. Meanwhile, surprise – Nvidia (NVDA – 220) beat. The news didn't seem to help Thursday. Then, too, such has been the pattern.

Home Depot (HD – 314) has had a tough time of it, down some 25% just since early February. This is one of those long-term uptrend charts which has turned into a four-year trading range. The weakness does seem surprising given strength in shares of Costco (COST – 1051). Then, too, the answer seems to lie pretty clearly in the 30-year. Note those patterns are pretty much the same, and is pretty much true for anything in the home building arena. If trying to predict the direction of the stocks, time might best be spent predicting the direction of TLT. We suppose that's what they mean when they say rates matter.

It's Tech's world still, and it's those Tech earnings that leave most in a happy place. When it comes to accounting, we defer to our professional, who, when hired, went through a rigorous process. Part of that was coming up with the sum of 2+2. The correct answer, of course, is how much do you want it to be? From last week's Sohn conference came a few other accounting questions, more subtle, you'll be glad to know. When the Semis sell, they book a profit. When the hyperscalers or whomever buy, it's a five year or whatever write-off. Nothing illegal, but a bit of a distortion. One side wins, the other side doesn't lose much — somehow that doesn't sound like real life. Also at the conference, someone pointed to the history of Semiconductor orders. They never slow down, they collapse. As even we have pointed out, the industry historically is famous for double- and triple-ordering.

The market has its divergences. Those can cause short-term problems, more often the effects come around over time. For now, the practical problem of those divergences seems the good have been too good – they're stretched. The rest have been the rest, though the improvement in Software, including Microsoft (MSFT – 419) and in whatever IBM (253) is these days, is encouraging. While peace no longer seems at hand, the market has learned to deal with it as should the rest of us. Thursday's turnaround was impressive, especially in the A/Ds and perhaps all the more doing so without Nvidia. It has become a market of stocks, even more than just the cliché. This suggests a trading range of sorts rather than a trend. Hey, it's summer!

Frank D. Gretz

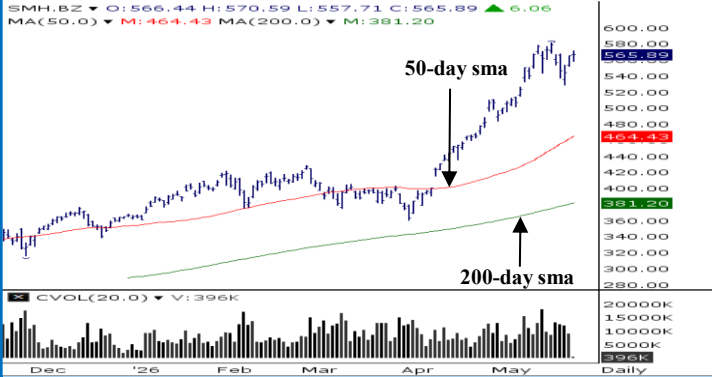
S&P 500 (SPX - 7446) - DAILY



NASDAQ 100 (NDX - 29357) - DAILY



VANECK SEMICONDUCTOR ETF (SMH - 568) - DAILY



ISHARES SOFTWARE ETF (IGV - 93) - DAILY



ISHARES 20+ YEAR TREASURY BOND ETF (TLT - 84) - DAILY



HOME DEPOT (HD - 314) - DAILY



COSTCO (COST - 1051) - DAILY



INTERNATIONAL BUSINESS MACHINE (IBM - 253) - DAILY



TRANSOCEAN LTD (RIG - 7) - DAILY



ENERGY SPDR (XLE - 59) - DAILY

