Wellington Shields

EQUITIES PERSPECTIVE

July 31, 2026
DJIA: 52,208

Sell the S&P 500… buy the S&P 500 Equal Weight. It's one way to deal with this divided market. The S&P these days isn't so much about its 500 stocks, it's more about its Tech stocks. Just 25 stocks account for 25% of the index. It has become an index of Tech stocks, and Tech stocks generally are underperforming. Meanwhile, the Equal Weight as his name suggests, gives each component equal due regardless of its market cap. When Tech was leading the market, you didn't want to rest, and now you do. Those Financials, Healthcare stocks, and even Staples aren't just performing better than Tech, they are performing very well. They are the leaders now. Market rotation is not uncommon, but this is an extreme.

Sometime in 1999 a new investment vehicle came on the scene. They were called Market Neutral Funds, and were 50% long stocks and 50% short. They may have been market neutral, but they were not opinion neutral - they were value players, long-undervalued, and short-overvalued. Back then that meant long Old Economy like Philip Morris (PM - 192) and short Dotcoms. So, back then they were wrong both ways, and didn't last long. By the summer of 2000, the Dotcoms had peaked and Old Economy stocks started to perform well. The latter did so not so much because of some big new buying interest, it was more simply that no one was left to sell. You could almost blow on the stocks and they went up, Philip Morris and the like. We suspect there's some of that going on now, but this time there is more to it.

This, by the way, isn't 2000. The 2000 market was a bubble because in 2000 the market was the Dotcoms and Dotcoms only into the March peak. There's much more to this market. That said, there is the question whether like the Dotcoms, is AI a bubble? As we are not coming to you today from the south of France, we won't waste your time or ours with an answer. Suffice it to say, AI is in a serious correction, and for now some settling of the dust should be awaited. AI in this case, of course, is more than Semis and the Hyperscalers, it's electrification like GEV (983), construction like STRL (581), and pretty much anything you see not acting well these days – AI related, a good thing no more.

Do you remember SPACS? You give money to someone to buy something and best of all, it's an unknown something. It's amazing how new ways to speculate come along. Among those lately are the single stock ETFs, which of course come with leverage. How can a leveraged single stock ETF possibly be considered an investment rather than a speculation? Best we know these instruments reside primarily in Tech land, and have in part been blamed for the Korean market's undoing. Speculation is part of every market in one form or another. Creating new ways to encourage speculation, however, usually happens near the end of trends rather than at their start.

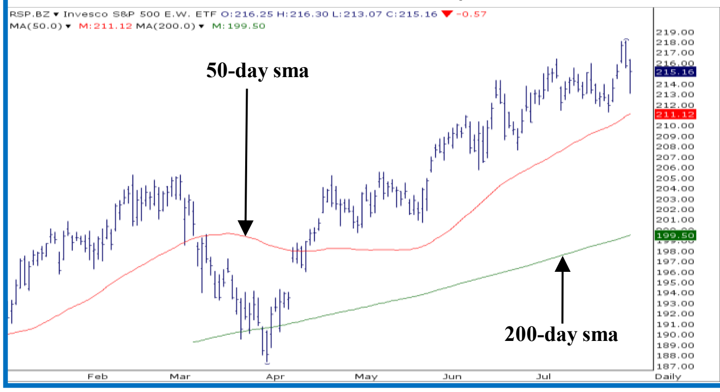
A couple of things have pushed us to a darker view of AI. Those Intel (INTC - 91) earnings were pretty spectacular, yet the stock reversed lower. We will have to see how the MSFT/META numbers play out, but when good news is ignored that says it might be as good as it gets. The other thing is Apple (AAPL - 333). Were they smart enough to not fall into the AI spend, or were they not smart enough to figure out how to do it? When you are being rewarded for not being part of AI, what does that tell you about the AI trade? Healthy markets are about participation and despite Tech this market has it. Even in this divided market Advance-Decline numbers have remained positive, but don't lose track here. Meanwhile, Microsoft (MSFT - 451) is a pleasant surprise in a Software group which has been improving. It's a divided market, even in Tech.

Frank D. Gretz

S&P 500 (SPX – 7438) - DAILY

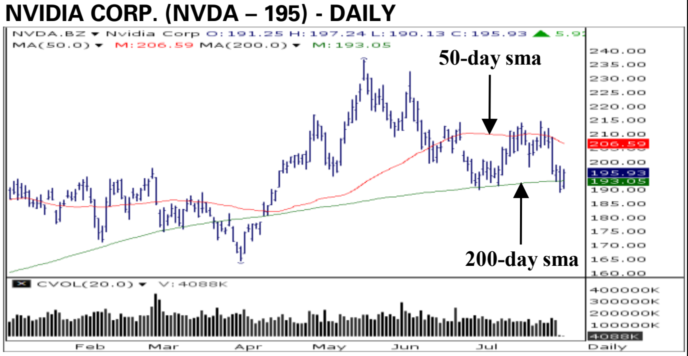
NASDAQ 100 (NDX – 28106) - DAILY

INVESCO S&P 500 EQUAL WEIGHT ETF (RSP – 215 - DAILY



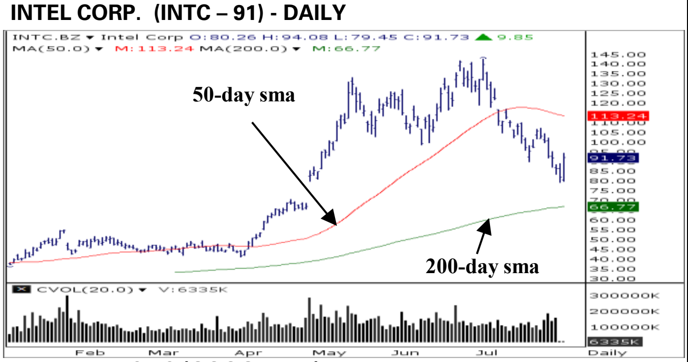
APPLE INC (AAPL – 333) - DAILY

NVIDIA CORP. (NVDA – 195) - DAILY



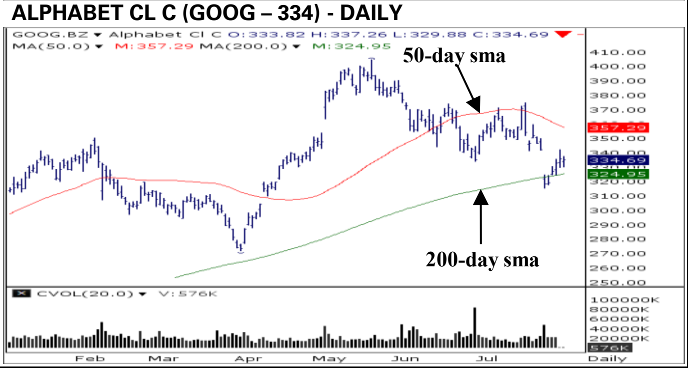
J M SMUCKER (SJM – 122) - DAILY

INTEL CORP. (INTC – 91) - DAILY



COCA-COLA COMPANY (KO – 89) - DAILY

ALPHABET CL C (GOOG – 334) - DAILY



KIMBERLY-CLARK (KMB – 110) - DAILY