WELLINGTON SHIELDS & CO.
MEMBER NEW YORK STOCK EXCHANGE

EQUITIES PERSPECTIVE

March 6, 2015
DJIA: 18,136

Exodus … how aptly named. For those of you with the good fortune to be unaware of Exodus Communications, it was an Internet hosting service and Internet service provider to dot-com businesses. We say was for sadly it went broke along with many other dot-coms and their customers during the bubble. They say there's nothing new and, indeed, two of the company's projects were ancestors of modern cloud computing. Back then the stock was hot, probably more so than anything today, though not so well grounded fundamentally. With the exception of Amazon (388), oddly enough a dot-com survivor, the spec stocks of today don't seem nearly so speculative. Most have the odd characteristic that they make money. Maybe they don't make enough to justify their price, but you know how we feel about "valuations." Then, too, Tech by its very nature entails risk. There always will be someone in some garage somewhere in California making something that's better than what is out there now. If that doesn't get you, when it comes to Tech market excess probably will. However, for now at least this looks nothing like NAZ 5000. Maybe NAZ 7000 will?

When it comes to the differences between now and then, most important is the technical background. For a few days in March 2000 the NASDAQ Composite hovered above 5000. That same week Procter & Gamble (85) tumbled 39%. The Dow Jones Industrials were down 14% on the year versus a gain of 24% for the NASDAQ. This divergence, the New Economy versus the Old Economy, the NASDAQ versus the S&P and Dow, wasn't like most others but proved just as lethal. When the market isn't strong enough to carry all stocks, eventually the strong are dragged down as well. In the meantime, the strong often become excessively so, like the dot-coms or Oil stocks in the summer of 2008. $150 oil anyone? We don't see 2000 in this market yet, which suggests to us that there's more to go. We just don't see a bull market like this going out with a whimper.

Bullish option traders have overwhelmed those on the bearish side by one of the largest margins since 2000 – as coincidence would have it. This follows on those measures of sentiment, or investor psychology, that we mentioned last time. Bullishness is over the top and it is a real worry or concern. However, we would be the first to say for most these measures are almost impossible to use. Often, though not always, lead times are frustratingly long. They work, so to speak, but by the time they do it's easy to have given up on them. Then there's human nature. The reason investors are over-the-top bullish, the reason there are so many call-buyers, so few put buyers and so few short-sellers is that investors are making money. Making money is a good feeling and investors don't want it to end even to the point of convincing themselves it never will. As someone said, momentum trumps sentiment – most days most stocks go up. When that changes, then start to worry about those sentiment numbers, and worry a lot.

Biotechs have been good for some time now and the recent spate of acquisitions – Actavis (296) and Valeant (204), and now Pharmacyclics (254) and AbbVie (57) – have only added to the fervor. And now, of course, every Biotech is a potential takeover. After all, big Pharma needs product and these independent Biotechs are the easiest way to get it, so the story goes. When the Oil stocks get hot everyone starts talking about the "breakup value" of this company or that company, as though every Oil company was about to be broken up. Not every Biotech is a takeover. However, the hype can become compelling and can last longer than you can remain skeptical. Calls for an end to the nonsense invariably prove way premature. Keep in mind that if this bull market ends in a speculative frenzy of sorts, why not frenzy over the Biotechs? Finally, for the most part the charts say no excess. If you look at IBB (348), the NASDAQ Biotech ETF, the uptrend is the most orderly thing you've ever seen. When you think of speculative blow-offs, orderly isn't a word that comes to mind. A word that does come to mind is parabolic.

A reasonable comment on the market year-to-date might well be – go figure. The S&P rose more than 5% last month, its best February since 1998. Normally it's January that is the strong month, but January this year saw a drop of 3%. It's January that typically sets the pattern for the year, the "January Barometer" and all that, so after a bearish signal in January, February recoveries are rare. Then, too, this was the pattern last year, a year that added 10%+ March through December. It's hard to count on the seasonal patterns of yore, and for that matter many traditional indicators. Things change – decimals, options, ETFs – or they work and become too widely followed to keep working. What still works and always will is human nature. The takeover news Monday in the Semiconductor space caused them and the market to get a little overcooked. Things have settled in, however, and stocks above their 10-day average are back near oversold levels. The idea that most days most stocks go up should keep us out of big trouble.

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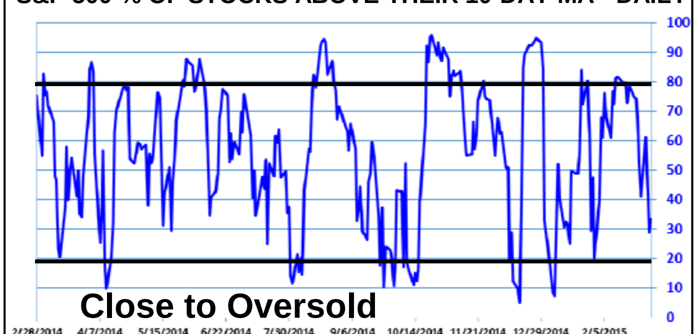
S&P 500 (SPX – 2101) – DAILY

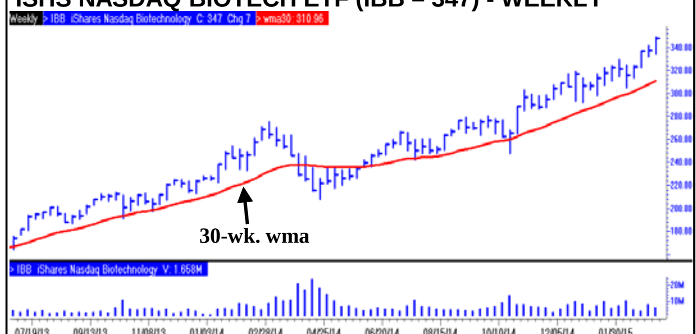
%=S&P Stks Above 200 Day

NASDAQ 100 (NDX – 4452) – DAILY

S&P 500-% OF STOCKS ABOVE THEIR 10-DAY MA - DAILY

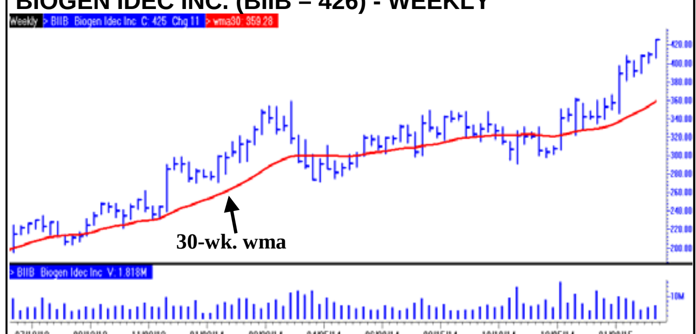


ISHS NASDAQ BIOTECH ETF (IBB – 347) - WEEKLY

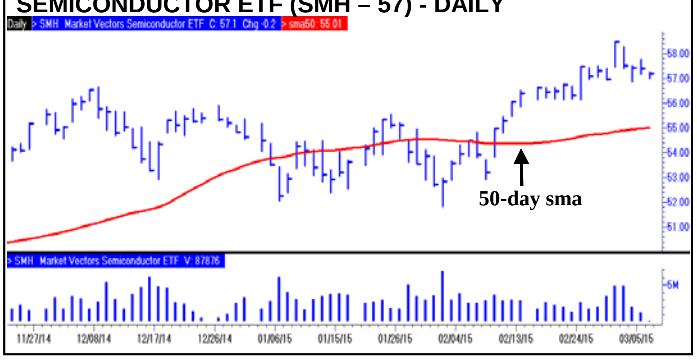


SKYWORKS SOLUTIONS INC. (SWKS – 92) - DAILY

BIOGEN IDEC INC. (BIIB – 426) - WEEKLY



SEMICONDUCTOR ETF (SMH – 57) - DAILY



REGENERON PHARM. INC. (REGN – 429) - WEEKLY