

# EQUITIES PERSPECTIVE

March 27, 2015  
DJIA: 17,678

Down 400 points this week ... blame Apple? That hardly seems fair. Apple (124) hasn't been that weak and Apple's influence on the Dow isn't even as great as Goldman's (187). Where was Kraft (84) when we needed it? And therein lies the historical rub. Those stocks added to the Dow, as per Apple, perform less well than those stocks removed from the Dow, as per Kraft. Typically the stocks added are tired old names like Hewlett Packard (32) or even BankAmerica (15). Something like Visa (66), added while it still had a pulse, has done quite well. In the case of the current weakness, however, it doesn't seem the stocks, it seems the market – it's stuck in a cycle of short-term momentum swings. To reflect this we've rearranged the charts on the back to emphasize how well market swings have correlated with swings in stocks above their 10-day moving average. If the past is any guide, and of course we think it is, now back to 20%, a case can be made that a good deal of short-term weakness should be out of the way. Still missing, however, is a jump in the VIX.

The VIX is a measure of volatility, but spikes in volatility typically occur in periods of market weakness. Hence it's nickname, the "fear index." Oversold is one thing, oversold enough to rally is something else and usually correlated with a spike in fear or volatility. True the weakness hasn't been great, and without some event news, what's there to fear? We've all seen these little setbacks and know they're not a big deal. So we're likely stuck here for a while. We have to admit, however, we're warming up to more weakness. Oil's bounce already has put a lid on the Airlines, and the Rails suddenly have their own energy worries, both of which could lead to a divergence in the Transportation average. The S&P failure at the high Monday, the reversal Friday in the Biotechs and the surprising, even if deserved, weakness in the Semis, are all part of that thinking. These of course all are relatively minor concerns, and not bull-market threatening.

Biotechs historically go to excess, and we think they will again. After last Friday the question now is, have they already done so? Last Friday things looked like they couldn't get better for the group. Biogen (429) had news that was unforgettable, breaking the stock above the recent uptrend. That's always a little risky, a sign the pattern is stretched. Of course worse things could happen, and they did. At least as measured by the IBB ETF, shares had a reversal day. There has never been a question that the shares could correct – 80% of the IBB components were above both their 10- and 50-day averages – for Biotechs or any group that's overbought. However, overbought doesn't mean over, and we don't think the Biotechs are over. The recent weakness, however, should mean some regrouping period. That said, after Wednesday's rout only 50% of the IBB components were left above their 50-day averages. Wednesday was so severe that already much of any correction could be out of the way.

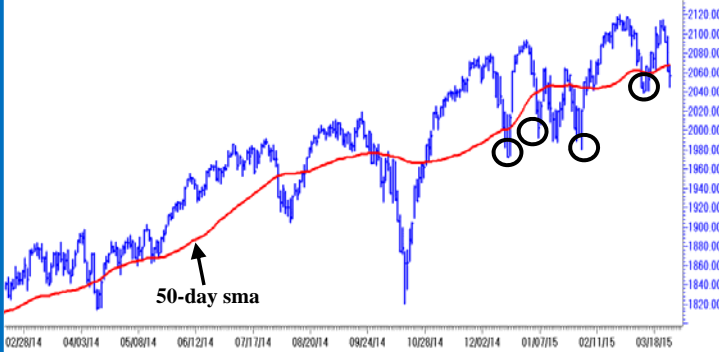
The collapse in Oil is well known. Also well known is the collapse in Coal. It's all Energy but if so, what's going on with those Solar stocks? Typically their rise and fall goes along with that of Oil, but not this time. Solar shares have performed well of late, but that positive performance began back at the end of January. Solar stocks are never easy and this could just be part of the group's inherent volatility. Then too, we've long noticed that when stocks don't perform in a usual way, often there is a reason. This reason, of course, is never recognized at the onset. They seem worth a look. Meanwhile, many of the Energy stocks have acted better, at a time when the news seemingly does nothing but get worse. You have to realize all stocks bottom on bad news – that gets the sellers out of the way. We don't see an important bottom, but that's along with everyone else. If they do rally here, you'll be surprised how quickly the news will get better, and how everyone will worry they've missed them.

With some saber rattling in Saudi Arabia Thursday, it's a wonder Oil rallied so little. Yet this is one of the things which keeps us from being too bearish on Oil, especially trading-wise. Energy still depends on your friends and mine, the Saudis. Should ISIS turn on them, "energy independence" will become a moot phrase, if there is such a thing. And yet, not that we wish ill anywhere, this is what markets sometimes need. Think back to last October. Remember back then when the Ebola contamination was a threat to all of us. Worse yet it was a threat to every mall in America, all of Retail, and therefore our stocks. As for the latter it was "the blessing in disguise." It propelled, inspired, and required selling by perfectly calm and reasonable people. In other words, it produced not a "new bull market," but a more than reasonable turning point. Without that kind of non-cathartic action, you get what you don't pay for – an okay but sporadic market.

Frank D. Gretz

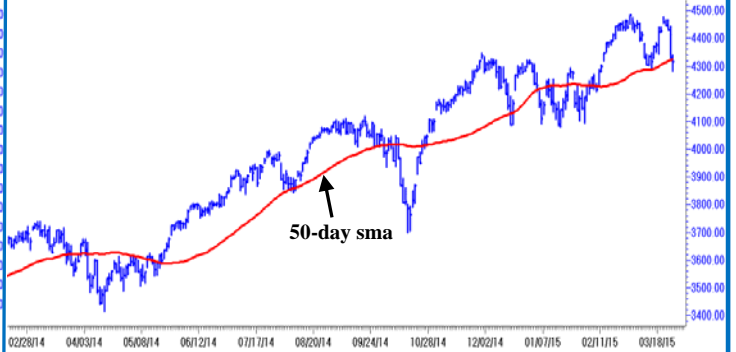
### S&P 500 (SPX - 2056) - DAILY

Daily > SPX-01 S&P 500 Index C: 2056 Chg 4 > sma50 2068.1

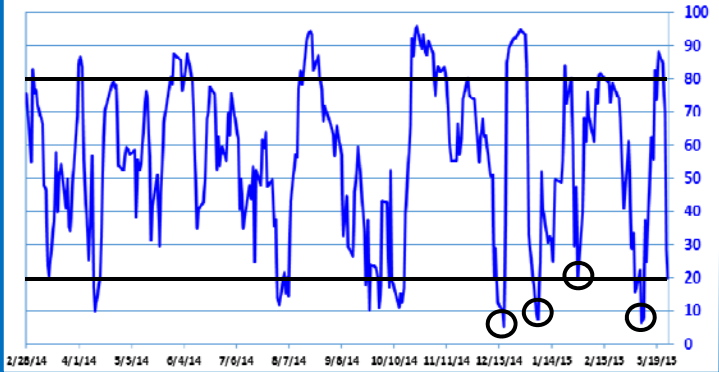


### NASDAQ 100 (NDX - 4315) - DAILY

Daily > NDX-01 Nasdaq 100 Index New Calculation C: 4315 Chg 14 > sma50 4324.8

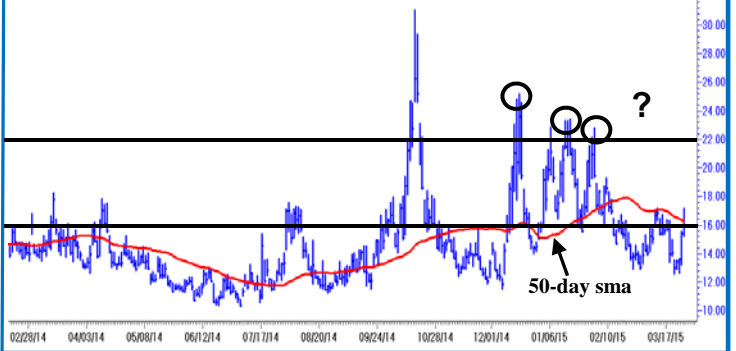


### S&P 500 -% OF STOCKS ABOVE THEIR 10-DAY MA - DAILY



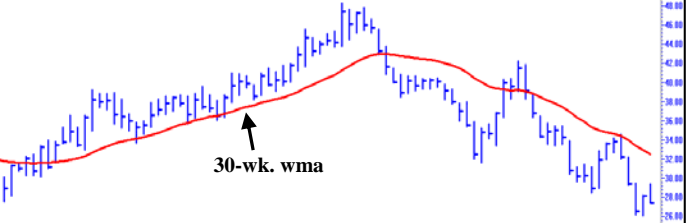
### CBOE MARKET VOLATILITY (VIX - 16) - DAILY

Daily > VIX-01 CBOE Market Volatility C: 15 Chg 0 > sma50 16.26



### CONSOL ENERGY INC. (CNX - 27) - WEEKLY

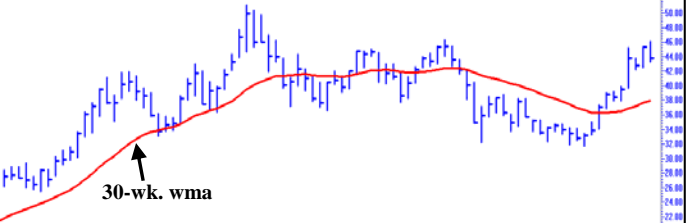
Weekly > CNX-01 CONSOL Energy Inc. C: 27 Chg 1 > wma30 32.51



CNX-01 CONSOL Energy Inc. V: 3.259M

### GUGGENHEIM SOLAR ETF (TAN - 44) - WEEKLY

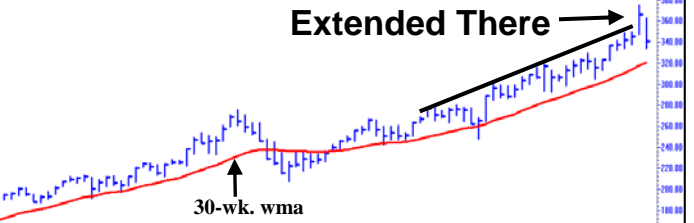
Weekly > TAN-01 Guggenheim Solar ETF C: 43 Chg 3 > wma30 37.93



TAN-01 Guggenheim Solar ETF V: 491.158M

### ISHS NASDAQ BIOTECH ETF (IBB - 341) - WEEKLY

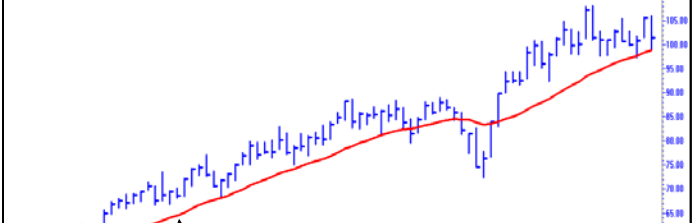
Weekly > IBB-01 iShares Nasdaq Biotechnology C: 340 Chg 0 > wma30 370.29



IBB-01 iShares Nasdaq Biotechnology V: 5.216M

### AIRLINE INDEX (XAL - 100) - WEEKLY

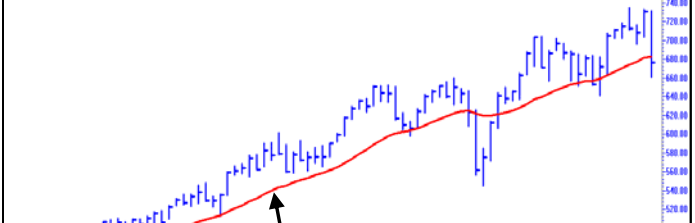
Weekly > XAL-01 Airline Index C: 101.5 Chg 1.4 > wma30 95.94



XAL-01 Airline Index V: 1.15M

### PHLX SEMICONDUCTOR INDEX (SOX - 675) - WEEKLY

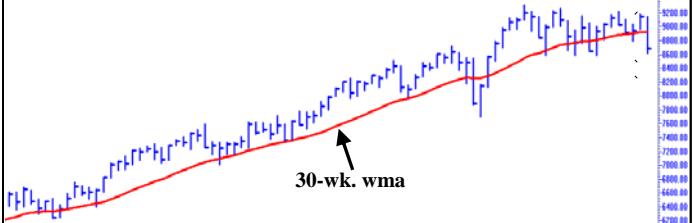
Weekly > SOX-01 Philadelphia Semiconductor Index C: 616.5 Chg 1.4 > wma30 682.40



SOX-01 Philadelphia Semiconductor Index V: 1.15M

### DOW JONES TRANSPORTS (.TRAN - 8678) - WEEKLY

Weekly > TRAN-01 Dow Jones Transportation Average C: 8685 Chg 7 > wma30 8517.7



TRAN-01 Dow Jones Transportation Average V: 1.15M