WELLINGTON SHIELDS & CO.
MEMBER NEW YORK STOCK EXCHANGE

EQUITIES PERSPECTIVE

April 24, 2015
DJIA: 18,059

Anything worth doing … is worth doing to excess. Words to live by when it comes to some things – like doing good deeds. However, not words to live by when it comes to the stock market. In that regard the Chinese market may offer some insight, having recently veered to what seems the excess side. China's market has been on a tear inspired by the opening of the Shanghai exchange. Consider, however, the economy there grew at 7.0% in Q1, in line with expectations but the slowest expansion since Q1 2009. And trends there seem to be worsening, if industrial production, retail sales and fixed investment are to be believed. In the U.S. we're worried that earnings may be disappointing, but our stock market has gone nowhere all year. In China the economy has gone nowhere all year but their stock market is up. It's hard to understand what's driving that market, though speculation comes to mind. Excess kills bull markets. Could the excess that kills our bull market not be our excess but China's stocks or Germany's bonds?

Of course you can't say we're completely without guilt when it comes to excess. And here of course Biotech comes to mind, not so much about price but, rather, their urge to merge. When it comes to the ETFs like the IBB (368), prices are at the upper end but still within the trend channel. It's the moves above the channel that should get your attention. That's what blow-offs are all about and that's still what we expect. The bull market won't end with a whimper, another reason to believe the bull market lives on. Even outside of Biotech and the health care arena, takeovers generally seem a sign of excess. We understand that free money makes such moves attractive if not outright compelling. However, much of it too is because companies can't seem to grow on their own leaving an uncomfortable disconnect – stocks good, growth bad. Also, it long has been known that a large number of all mergers simply don't work.

Our favorite among the Sherlock Holmes mysteries is titled "The Dog That Didn't Bark." Perhaps not the greatest detective mystery, it's our favorite because often it relates so well to the stock market. The great detective solves the mystery when he realizes the dog didn't bark, and why – the guilty party was the dog's master. Granted the overall market has been in a stall for a while now, but that doesn't mean the leaders shouldn't trudge higher. After all, that's what leaders are supposed to do. Yet stocks like Apple (130), Under Armour (83) and even Facebook (82) have gone nowhere. Those leaders just won't bark. When the market's leadership isn't getting it done, it's always a little worrisome. Then, too, we've been known to look at such things with more than a little impatience. As per market breadth, most days most stocks go up. Market breadth closed at a new high Thursday – markets don't get into trouble against that background.

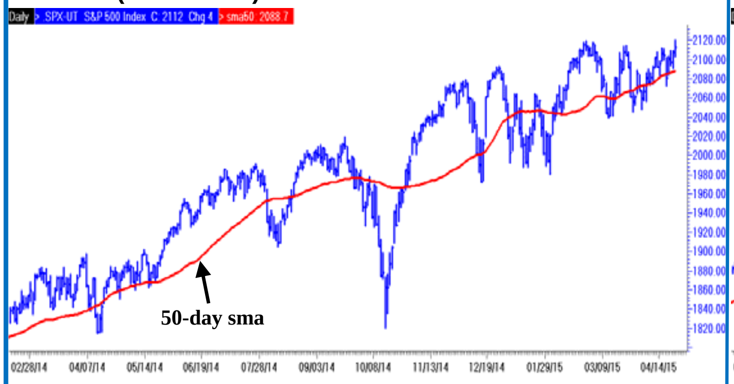
Certainly those Biotechs are barking and the turn in oil and the stocks seems real, a big help to market breadth. Amidst the market's recent malaise a group that has emerged in a positive fashion are Cyber Security firms. Perhaps the leader here has been Palo Alto Networks (155) though Check Point Software (87) might be a more familiar name. And what credible group is without its own ETF, "HACK" in this case. With the percent of stocks above both their 10- and 50-day averages stuck recently around 50%, the idea of a stalled market seems to fit, and it still fits for the Dow and S&P. Even before Thursday, however, this didn't so much fit for the NASDAQ which has had the Biotechs at its back. Most importantly, it hasn't fit for market breadth.

NAZ 5000 today has little in common with NAZ 5000 fifteen years ago. In fact, we might be alone in still calling the NASDAQ the NAZ. Gone are Pets.com and the like, replaced by Microsoft (47), Google (566) and Apple, as the largest companies, all profitable and all companies we all use. And they all make money, even Amazon (447), at least on the Tech side. Throw in this huge breakout in Netflix (560) last week and the NAZ seems poised for good days and seemingly less speculative than last time. We've pondered what it might take to get the market going and this just might do it. Life doesn't change of course, and any trend can go too far and create its own reversal. We're not there, and when we are, poor breadth, a narrowing participation, should provide adequate warning.

Frank D. Gretz

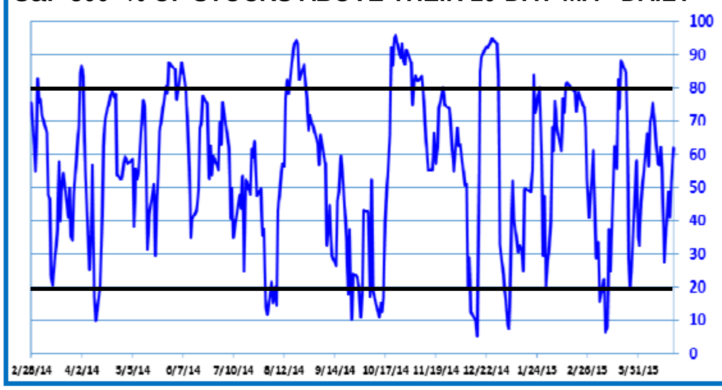
140 BROADWAY NEW YORK, NY 10005 TELEPHONE: (212) 320-3000

S&P 500 (SPX – 2113) – DAILY

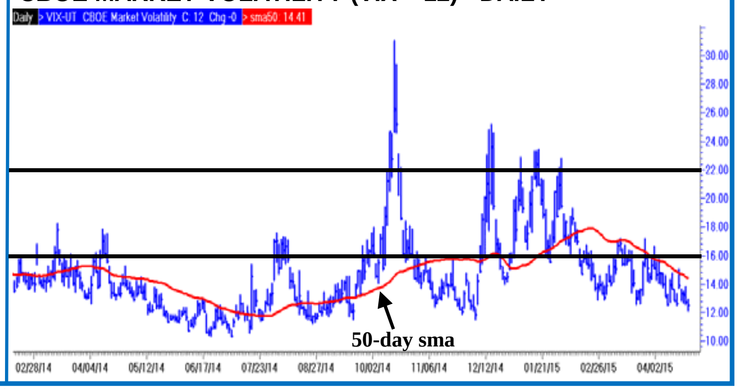


NASDAQ 100 (NDX – 4477) – DAILY

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

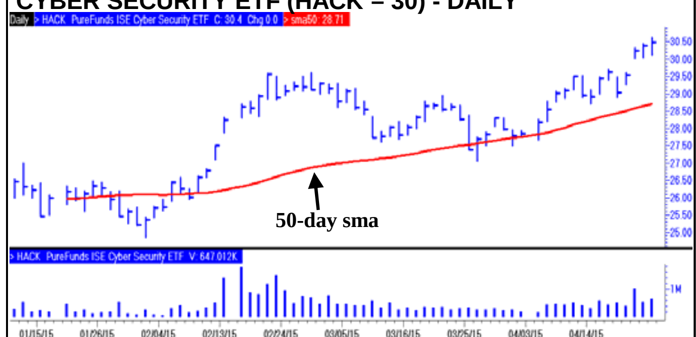


CBOE MARKET VOLATILITY (VIX – 12) - DAILY

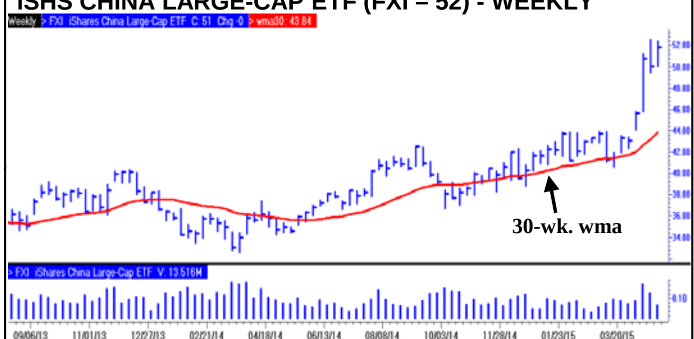


S&P 500-% OF STOCKS ABOVE THEIR 50-DAY MA - DAILY

CYBER SECURITY ETF (HACK – 30) - DAILY

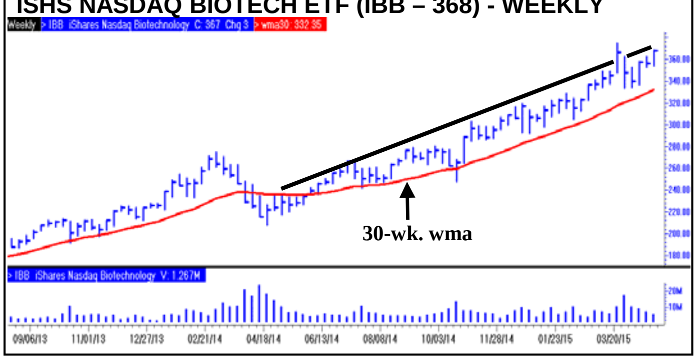


ISHS CHINA LARGE-CAP ETF (FXI – 52) - WEEKLY



PALO ALTO NETWORKS (PANW – 155) - WEEKLY

ISHS NASDAQ BIOTECH ETF (IBB – 368) - WEEKLY



NETFLIX INC. (NFLX – 560) - WEEKLY