WELLINGTON SHIELDS & CO.
MEMBER NEW YORK STOCK EXCHANGE

EQUITIES PERSPECTIVE

October 23, 2015
DJIA: 17,489

The anything but aptly named … Valeant. VRX (110) has been a plague upon all of Biotech. To be fair, however, those ETFs no doubt have played a role – sell one and you sell them all. As for Valeant, it seems the Gulf & Western model of corporate growth suddenly has fallen from favor. Bull markets, when new, overlook or forgive many things, so this may be as much a commentary on the market as on Valeant. We missed this peak in Biotech thinking the move would end in one last blaze-of-glory sort of rally. Back at the end of September, however, we did suggest that a break of the recovery uptrend in IBB, the Biotech ETF, would not be good and it was not, neither for Biotechs nor the market. That was then but wouldn't you just know it, IBB now is in a very similar position. Naturally we would prefer it didn't break but we doubt the consequences now, at least for the market, would be the same. Different this time is that China is recovering rather than falling. And, of course, we've had a washout low, a test and a recovery with impressive momentum.

When it comes to cars, it seems it's back to the past. We admit to being enamored with Tesla (212), but the chart's just not there, at least yet. Tuesday the stock took another step in the wrong direction based on a review by Consumer Reports. Owners apparently found issues, though all said they would buy the car again. Meanwhile, the experts at Consumer Reports recently voted the car "bestest" in the whole wide world. They didn't mention the chart, which still needs work. All the Tesla talk was enough to make you forget it's not the only car company, if in fact that's what it is. GM (35) has a good chart and it worked. The stock actually gapped higher on Wednesday morning's news. Imagine, a gap in GM. It's good to stay open-minded, but Auto shares as leaders? Meanwhile, the best-acting sector in Retail is the Auto Parts Stores, a group typically inversely correlated to auto sales. Crawling under your car is cool again.

If you believe in technical patterns, and if you believe the length of a base pattern is correlated with the potential move out of that pattern, McDonald's (111) is a double. They say give them a date or give them a number, but never both. A double will take time, but the potential is there. MCD has a base or consolidation pattern that goes back to early 2012. Also, the dust had barely settled on the market's recent weakness when MCD reached a 12-month new high. This kind of action is typical of stocks that go on to lead. Similar action seems true of GE (30), Intel (34) and Microsoft (48), though they don't have the same long-term credentials. Two stocks that have the look of Microsoft back when Microsoft was an up-everyday stock are Nike (132) and Starbucks (61). We expected big-cap stocks would lead – many of these are just not the names we had in mind.

This time of year selling often begets more selling. This could keep Biotechs under pressure though they're overdue for more than just a bounce. This time of year should be good for the market as a whole. Most professionals seem to be playing from behind and won't want to move further behind by missing a rally into yearend. This too should favor the big stocks which also typically give it up last as bull markets wind down. As per the above, leadership seems a bit confused but most days most stocks go up. There's a recovery high in the Advance-Decline Index, not something typical of markets about to get into big trouble. We would be more comfortable, however, with the S&P back above its 200-day moving average – 2060 as of Thursday. The NASDAQ 100 is above its 200-day.

Remember Apple (117)? It's that growth stock that became a value stock because it's so cheap. Also, there has been a little question about its growth. For a time now it has been like Tesla – a chart whose time had not yet come. However, this now seems to be changing. Granted there's no pound-the-table breakout, but nudging above 114 is a start and above 118 would be even more convincing. This strikes us as a stock where any hint of something good would have an inordinately positive result. Also, it's a stock that seems a good fit for the rally we see into yearend. It's big, it's easy to buy, it's Apple. We still like the so-called FANG stocks, Facebook (101), Amazon (612), Netflix (98) and Google (741). Amazon and Google gapped sharply higher after the close Thursday. Contrary to what you might think, those gaps make them safer buys than they were a week ago. Both are coming out of consolidation patterns that began in early-July, meaning even after the gaps, they're not all that extended.

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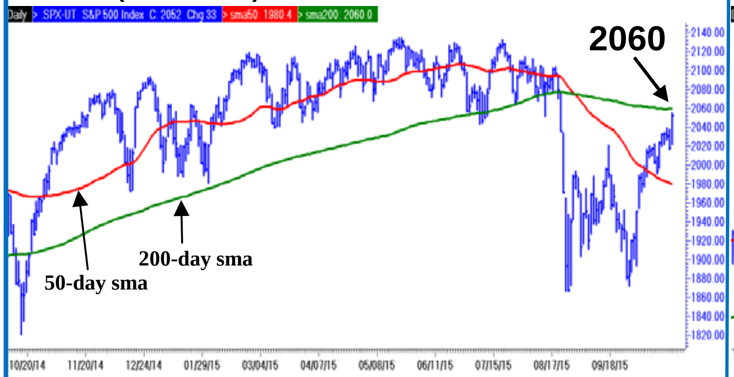
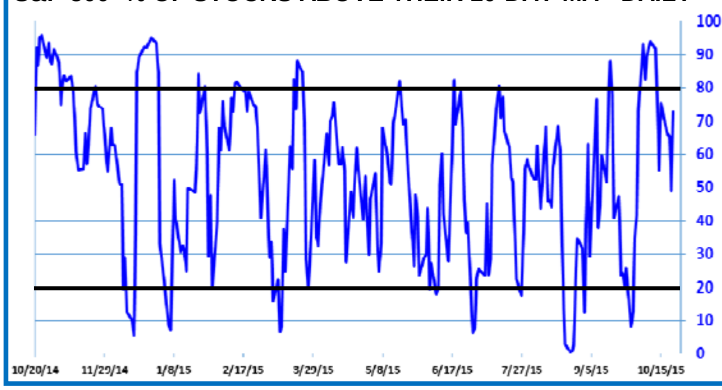
S&P 500 (SPX – 2053) – DAILY

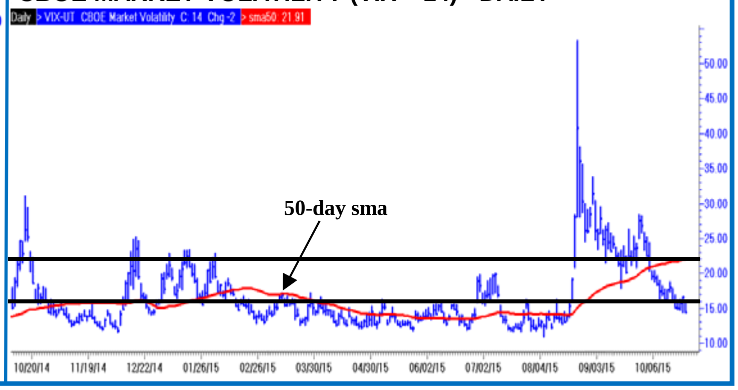


NASDAQ 100 (NDX – 4503) – DAILY

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

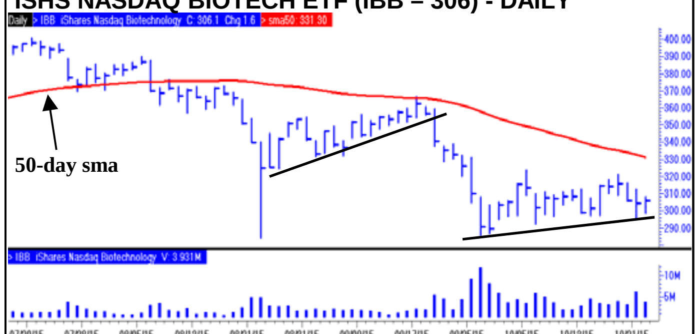


CBOE MARKET VOLATILITY (VIX – 14) - DAILY



VALEANT PHARMACEUTICALS (VRX – 110) - DAILY

ISHS NASDAQ BIOTECH ETF (IBB – 306) - DAILY



AMAZON.COM INC. (AMZN – 612) - WEEKLY

GENERAL MOTORS COMPANY (GM – 35) - DAILY

ADVANCE AUTO PARTS INC. (AAP – 192) - DAILY

MCDONALD'S CORPORATION (MCD – 111) - MONTHLY