WELLINGTON SHIELDS & CO.
MEMBER NEW YORK STOCK EXCHANGE

EQUITIES PERSPECTIVE

April 28, 2017
DJIA: 20,981

Tweet this … Twitter beat! Twitter (17) is like one of those old riddles – what service is used every day, but doesn't cost anything? Good, which it was, or bad, most are glad to see this quarter out of the way. Since not a disaster, at least it leaves some hope – hope someone will buy them. Anything else and it will be a long slog back, the chart says. Good news, too, it's not far from a stop, that being a new low. Contrast Twitter with the seemingly more risky Amazon (945) or Google (928), both of which reported after-hours Thursday. Both beat and both beat handily, as they're wont to say, only adding to their aura as go-to stocks in these not so troubled times. This performance supports our idea that when this market narrows, as all old bull markets do, these will be among the winners. This is not to say any new nifty-fifty will be FANG or Tech only, despite its miss Thursday night, Starbucks (61) likely will be amongst the group.

The market's post-French election rally has been impressive. More subtle, though also impressive, was the way the market held together even before this. A few Trump disappointments and threat of nuclear war, the market had its chances to fold but did not. Easy to say in retrospect of course, but then to back it up with consecutive 2-to-1 up-days Monday and Tuesday suggests this is no one-day wonder, and we've seen a few of those. So now the usual cry to be heard throughout the land is "overbought." Overbought doesn't mean over and/or pick your favorite of the other clichés. There's overbought and there's good overbought, the more overbought the better. Better because all that momentum takes all the more time to unwind, just ask Sheldon. Stocks above their 10-day moving average have gone from 25% to 81%, not the number of last summer but around that of December and late-February. Impressive and, hopefully, the night is still young.

When the market, that is, the market averages, makes a low, typically it's an emotional kind of deal. Volume and volatility increase, Put-Calls and the VIX rise – for lack of a better term, it's a wrenching event. For stocks and stock groups, however, more often it's different. More often, stock or group downtrends wear you out before they turn. Twitter might fit here, but we're really thinking about Oil. Arguably, the stocks at least have stopped going down, and to quote Thomas Pynchon, "been down so long it looks like up to me." However, they're not up. Doing "something right," as we like to say, would be the next step. The something right in this case would be a move to break this seemingly relentless downtrend that began in mid-December. It wouldn't take a whole lot from here – a move above 72-73 in the XLE ETF (68). However, we would wait, lest we frack our way to $20 oil.

The pattern we've described above is in place in another weak group, Retail. As measured by the XRT ETF (43), the December downtrend already has been broken. What is interesting in this case is that the less popular RTH ETF (82) looks much better, the difference being this ETF's heavy weighting in Wal-Mart (75). Perhaps the best retail chart is Home Depot (156), or is this a homebuilder as its inclusion in the Homebuilding ETF (XHB-38) would suggest? Then there's Costco (177), which out of the blue the other day declared a million dollar special dividend. If you think the dividend was special, just take a look at the long-term chart. In the world of Retail this is an unusual pattern, though that of Home Depot is equal or better. Perhaps the most dynamic of the Retail charts is Children's Place (115), where even the long-term chart isn't bad.

The "funnymental" analysts will tell you it's earnings that drive stock prices. Well, at least they have it half right. What drives stocks prices is not earnings, per se, it's the surprise in earnings, both good and bad. Historically the best performing stocks are those that beat analysts' estimates, while those that miss underperform. If you don't want to believe the academic studies, you need only take a look at this week, a week rife with earnings reports. The aforementioned Amazon and Google had outsized moves, but they always do, it's their nature. Look at the more prosaic Caterpillar (103) and Honeywell (134), both of which gapped higher on good numbers. Both had good, but not great, charts, so the numbers were a surprise. Then there are those that surprised on the dark side. Zimmer (118) gapped down Thursday despite having a great chart. And that, sports fans, is why this isn't coming to you from the South of France.

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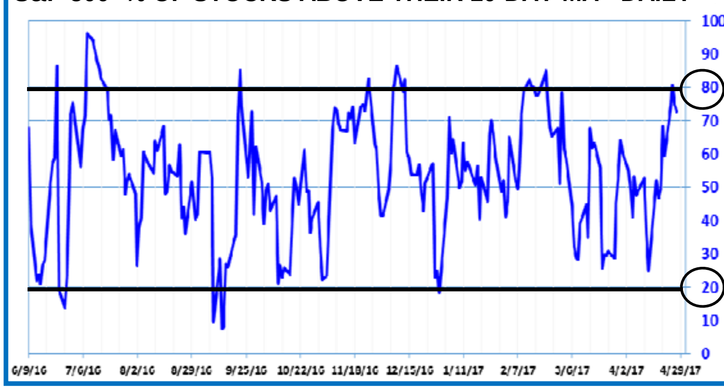
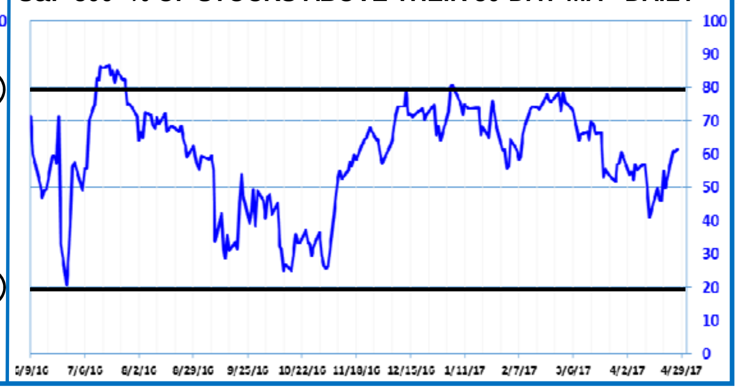
S&P 500 (SPX – 2389) – DAILY

NASDAQ 100 (NDX – 5571) – DAILY

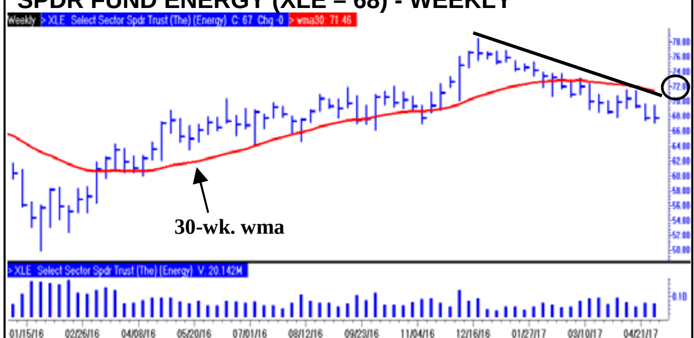
S&P 500 -% OF STOCKS ABOVE THEIR 10-DAY MA - DAILY



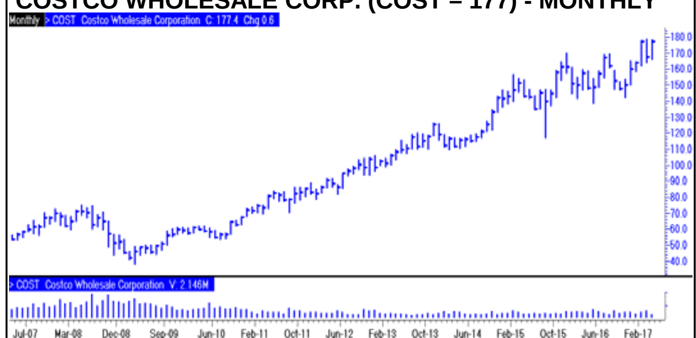
S&P 500 -% OF STOCKS ABOVE THEIR 50-DAY MA - DAILY



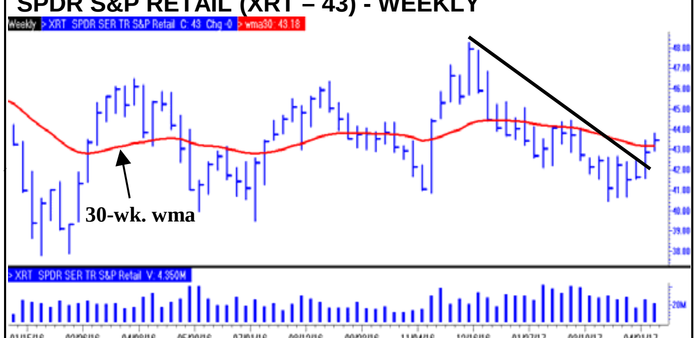
SPDR FUND ENERGY (XLE – 68) - WEEKLY



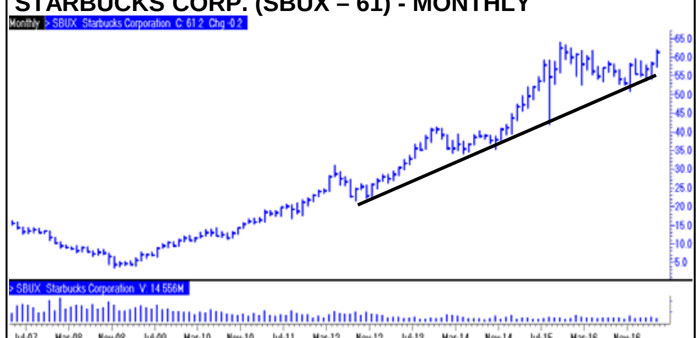
COSTCO WHOLESALE CORP. (COST – 177) - MONTHLY



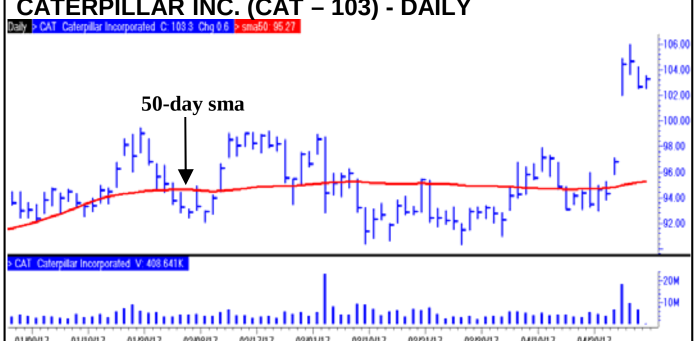
SPDR S&P RETAIL (XRT – 43) - WEEKLY



STARBUCKS CORP. (SBUX – 61) - MONTHLY



CATERPILLAR INC. (CAT – 103) - DAILY



ZIMMER BIOMET HOLDINGS (ZBH – 118) - DAILY