WELLINGTON SHIELDS & CO.
MEMBER NEW YORK STOCK EXCHANGE

EQUITIES PERSPECTIVE

April 7, 2017
DJIA: 20,663

As GM goes … so goes the nation. After Monday's dismal numbers, it's fortunate we're not back in the 50s anymore. Would that it were Tesla (299) rather than GM (34), and why not? After all, Tesla is the country's only domestic car manufacturer. Nonetheless, the market took those auto sales as an excuse to try to go down. Similarly, a couple of Retail downgrades and news of the Ralph Lauren closing made for another feeble downside try on Tuesday. Wednesday, however, was different, this time reversing to the downside after the Fed release of its meeting minutes. Most think those reversals significant, but history suggests otherwise. Reversals where the market was within 1% of a multi-year high have shown no consistent pattern of weakness. In fact, according to SentimenTrader.com, over the next month the market was higher 20 of 24 times, though not spectacularly so. And it is, after all, still a trading range.

From a trading range there are the options of up, down and more trading range – for this you can thank us later. With the overall trend up, important divergences absent, and the discomfort level high, serious weakness seems unlikely. The recent narrowing also seems to make any broadly-based "breakout" unlikely, as per Wednesday's failed attempt. Wednesday itself, provides some insight here. As the NASDAQ was hitting its highest level ever, only 3% of its components were at a 52-week high, while 2% of its components were at a 52-week low. In other words, not what you would call a broadly-based "breakout." The last time we saw something like this was 1999, the time of the dot-coms. Instead of a divergent background with big risk, maybe this is just the way it's going to be, until it all comes tumbling down. As we suggested last time, it could be this market continues higher on the back of its own "nifty-fifty" stocks, like the FANG stocks. Time will tell, to coin a phrase.

Technical analysis is an analysis of supply and demand. The charts are a means to this end. What we're looking for are stocks in uptrends, that is, those where demand is greater than supply. If this is a micro picture, there might also be a macro picture. When all the selling is out of the way, by definition prices will rise, and vice versa. Ownership might offer some macro insight. We're thinking about Energy and its low 6% market cap weighting in the S&P 500. Certainly it can go lower, and indeed has done so, but this seems a real "washout" sort of level. Ironically, this comes amidst an "oil deal" to cut production. Then, too, there's the bad news of Moore's Law as it applies to fracking – apparently there are frackers profitable at $20/barrel. At only 6% of the S&P, it's almost surprising the attention given to the stocks, but they are volatile and there are a lot of them – the latter being important to market breadth. They've stopped going down, but they've yet to do something right – like break a couple of downtrends.

Constellation Brands (172) reported better than expected results Thursday, and despite its Mexican stigma, gapped more than 5% higher. This reminded us that the "nifty-fifty" of 1972 was comprised of such forgotten names as Beatrice Foods and Tropicana, among others. So leadership, even should it narrow to just 50 stocks, need not be comprised of just the FANG and other Tech stocks. The long-term picture in Constellation certainly makes it a candidate, and the same is true of Domino's (186) – also what technical analysts say when someone answers the door. Then there's the recently improved Starbucks (58), where the stock has spent 18 months consolidating its massive uptrend. If the length of a consolidation equates with the potential upside, let's just say there's a little potential here. Then there's Costco (170), this cycle's Wal-Mart (71). If the market does narrow, there are plenty of potential winners. If the market doesn't narrow, it's hard to see these hurting.

Thursday was like most days recently, except the opposite – what had been strong was weak, and vice versa. Go you Retailers, Oils and Financials! Who needs those stinkin' Techs? If only they could get together, that is, to the upside. The good news is those many, many Banks, Retailers and Oils did manage to push breadth to a new high, while the averages did little. You might look at Thursday and call it a good day – no follow-through to the Wednesday reversal, 3-to-1 A-Ds, and all that. It wasn't. Leadership lagged as the market was held together by the laggards. This, too, argues for more trading range. We doubt any damage from Thursday night's air strikes, but events such as this sometimes offer an insight. Ironically, it could provide a positive in that Trump could use a win somewhere, which likely would be a win for the market. Meanwhile, it seems a plus for the improving pattern in Gold.

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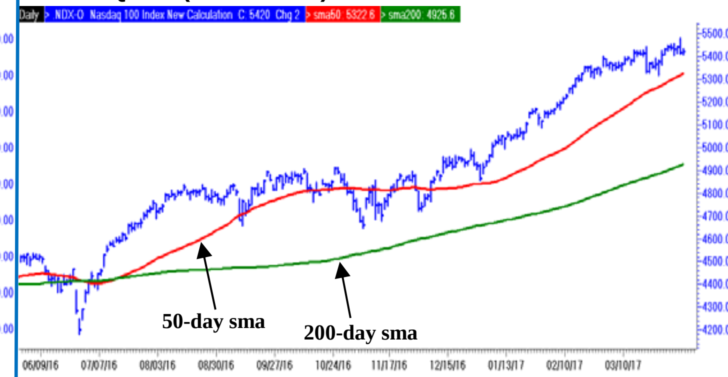
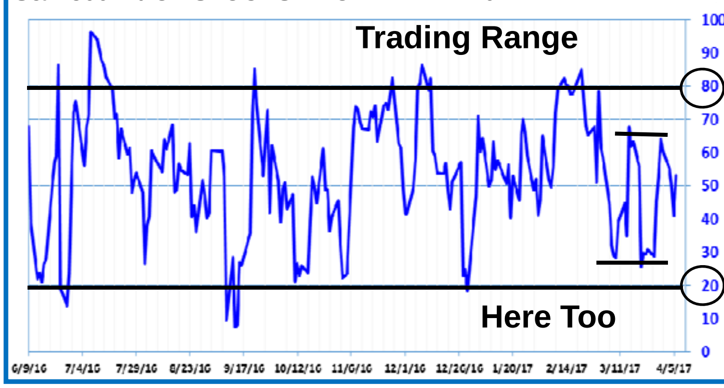
S&P 500 (SPX – 2357) – DAILY

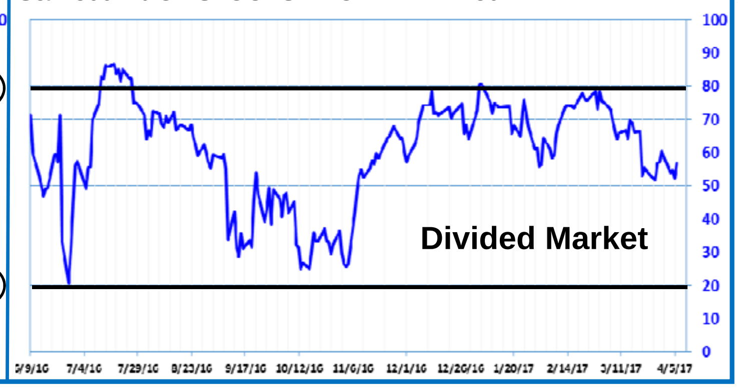
NASDAQ 100 (NDX – 5421) – DAILY



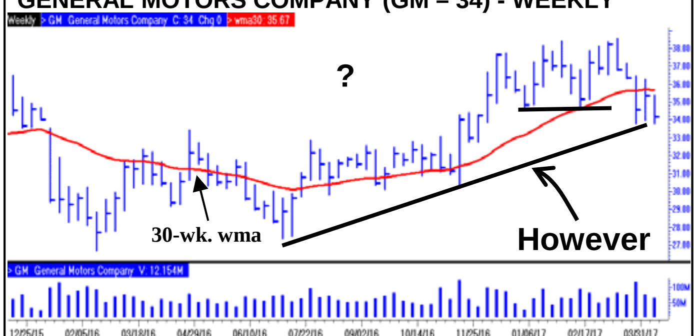
S&P 500 -% OF STOCKS ABOVE THEIR 10-DAY MA - DAILY



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



GENERAL MOTORS COMPANY (GM – 34) - WEEKLY

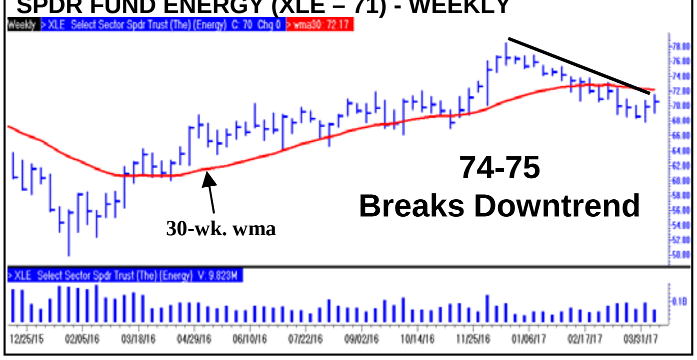


CONSTELLATION BRANDS INC. (STZ – 172) - MONTHLY

TESLA INC. (TSLA – 299) - WEEKLY

STARBUCKS CORPORATION (SBUX – 58) - MONTHLY

SPDR FUND ENERGY (XLE – 71) - WEEKLY



COSTCO WHOLESALE CORP. (COST – 170) - MONTHLY