

# EQUITIES PERSPECTIVE

December 9, 2016  
DJIA: 19,615

The Fed meets ... or do they? It's like the proverbial tree falling in the forest when no one is there – does it make a sound? Suddenly the Fed seems obsolete, marketwise. The Fed will raise, it's the natural order of things in an economy on the edge of explosive growth. This at least is the message of the market. Just as more and more we were beginning to question whether the market was being hallucinatory rather than anticipatory, along came Wednesday's surge. And, for a change, the rally was "normal" good. Heretofore we've had to deal with mixed, or bifurcated, rallies – the Trump stocks up, the rest down or doing nothing. We doubt this is gone for good, but for now Wednesday's better than 5-to-1 breadth says the rally is strong enough to lift most ships. With the Advance-Decline Index now confirming the market averages, Technical Analysts finally can get some sleep. How much farther can it go? We know, but we are not allowed to tell.

Did Hillary win the election? To look at those Drug stocks and Biotechs, you would think so. And did Boeing somehow get into the drug business? Business may be good and yet, there's no pricing power. And, whatever you do, don't try to leave the country! It's a strange new world, though for big pharma, it's just more of the same. Higher health care costs are being laid at their feet. Biotechs had begun to look hopeful and a couple had begun to act like the days of yore. Specifically, look at Bluebird Bio (72) or Sage Therapeutics (52), where the action was news-driven. Biotechs you've heard of, the Amgens (141) and other big-caps, look more like big-cap pharma, which pretty much is what they are. Worse are those companies already singled out as price hikers, companies like Mylan (36). We're told many of those stocks are "cheap." Then, too, cheap can become cheaper – even we were surprised to see Gilead (72) with a P/E of 7.

Pharma, it's clear, are the un-Trump stocks. The Trump stocks are the Infrastructure and Defense stocks the market has come to embrace. Another way to think of these is the Russell 2000. While the Russell is a measure of smaller stocks, it's also about domestic stocks. In other words, pretty much the antithesis of Pharma. Still another way of thinking about leadership here is the S&P Metals & Mining ETF. The ETF is about stuff, the kind of stuff that hurts if you drop it on your foot. It's also useful in building other stuff. Finally, as frustrating as it can be, it's hard to ignore the improvement in Energy. It may not be a "flyer," but Chevron (115) looks as good as anything and the 3.7% yield isn't too shabby. It still seems strange the FANG stocks can't get out of their own way, but at this point that could be money chasing performance to the detriment of the underperforming FANGs.

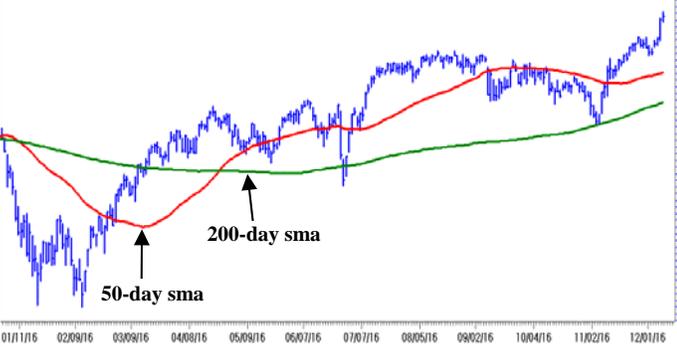
Like the market itself, Financial stocks have looked stretched but haven't quit. Remember when the worry was that of a rate hike? For the sake of the Banks and most of the Financials, worry if no hike. According to SentimenTrader.com, on average more than 25% of financial stocks have reached 52-week highs during the past month, the second highest since 1998 and one of the highest since 1990. Historically, by the time this many financial stocks have reached a 52-week high, the group has been ready to settle in, at least for a few weeks. In this case, of course, history is only telling us what we already know – the stocks are up a lot and need a rest or correction to make them buyable. They're not about to fall apart. While the Fed's likely hike is behind the move in Financials, so too is the drop in Bonds, that owing to an improved economic outlook, or so it's hoped.

They call this market unloved. We don't know about that, but it certainly is one that evokes its share of worry. As is the case with most market worries, in retrospect they become almost laughable. Think of those most recent worries like Brexit, a Trump win and the Italian job – all laughable. This is not how markets make an important top. Important tops are borne out of a lack of worries and, therefore, all the money is in. When there is nothing but blue skies, chances are good that most are fully-invested. This is when markets peak. They don't peak on bad news, they peak when things are peachy-keen. You get the feeling we're getting there, but we're not there yet. When all the money is in, when everyone is fully invested, you can get 300-point rallies. However, you don't get 5-to-1 up-days like Wednesday. Pushing up 30 stocks is one thing, pushing up 2200 stocks is another.

Frank D. Gretz

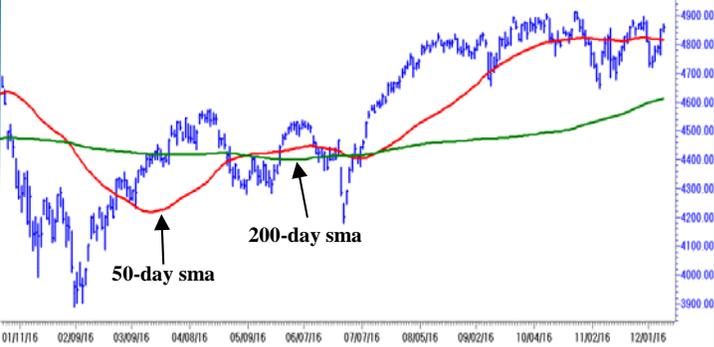
### S&P 500 (SPX - 2246) - DAILY

Daily > SPX:01 S&P 500 Index C: 2246 Chg 4 > sma50 2181.5 > sma200 2116.5

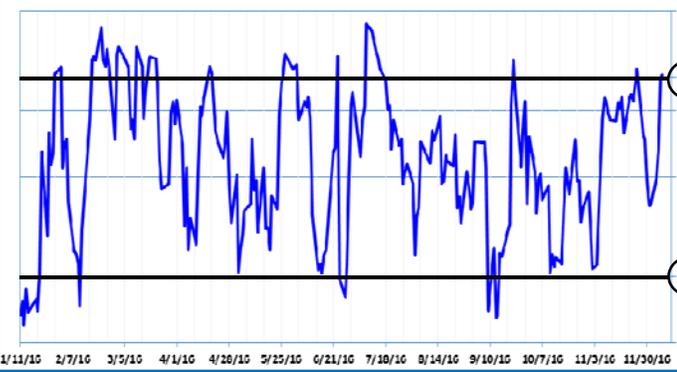


### NASDAQ 100 (NDX - 4859) - DAILY

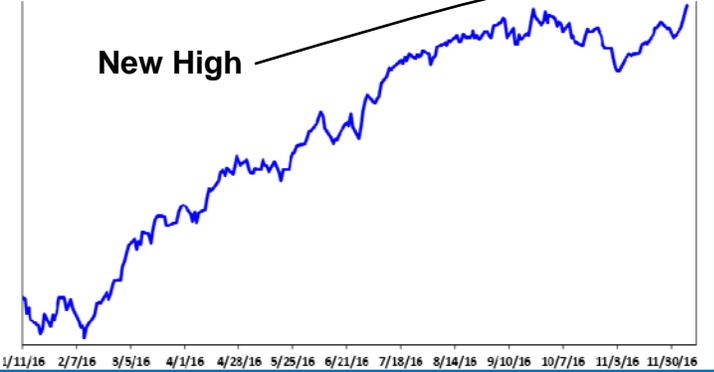
Daily > NDX:0 Nasdaq 100 Index New Calculation C: 4859 Chg 7 > sma50 4516.9 > sma200 4612.8



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

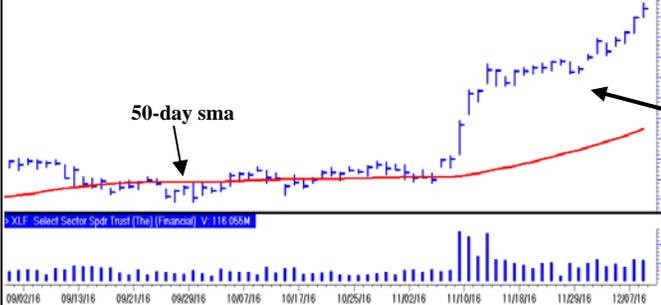


### ADVANCE-DECLINE INDEX - DAILY



### SPDR FD FINANCIAL (XLF - 24) - DAILY

Daily > XLF: Select Sector Spdr Trust (The) (Financial) C: 23.0 Chg 0.2 > sma50 20.76



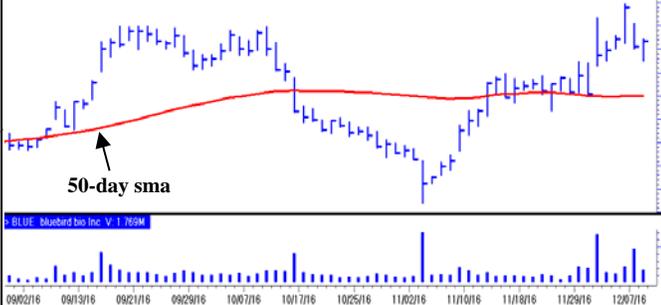
### ISHS 20+ YEAR TREASURY BOND ETF (TLT - 119) - DAILY

Daily > TLT: iShares 20+ Year Treasury Bond ETF C: 118.9 Chg -1.4 > sma50 127.86



### BLUEBIRD BIO INC. (BLUE - 72) - DAILY

Daily > BLUE: Bluebird bio Inc. C: 71.7 Chg 1.3 > sma50 60.06



### VANECK VECTORS PHARMA ETF (PPH - 51) - DAILY

Daily > PPH: VanEck Vectors Pharmaceutical ETF C: 51.7 Chg 0.1 > sma50 63.69



### CHEVRON CORPORATION (CVX - 115) - DAILY

Daily > CVX: Chevron Corporation C: 115.1 Chg 0.7 > sma50 106.02



### SPDR SER TR S&P METALS & MINING (XME - 34) - DAILY

Daily > XME: SPDR SER TR S&P Metals & Mining C: 33.7 Chg 0.1 > sma50 27.67

