

EQUITIES PERSPECTIVE

March 10, 2017
DJIA: 20,858

Opinions follow price ... memories do as well. If higher prices alone were not enough, the news always seems to improve as prices move higher. After all, the media always needs to explain the higher prices, and the good therefore becomes the emphasis. For example, there's little talk of the all-but-certain pending rate hike. Since the election the market has had a remarkable run, one built more on policy hope than policy reality. This complaint is met with the retort that it has only been 50 days, or whatever. Fair enough, but the point remains. Then, too, the market is supposed to do this, it's supposed to be anticipatory. Investors are getting this, and hence, what has been persistent strength. Interestingly, investors will begin to believe they always got it – no one was really worried about a possible trade war, and so on. The psychologist Baruch Fischhoff called this “creeping determinism,” the idea that unexpected events turn into the expected. In other words, we will remember being more bullish in November than we were.

Last Wednesday's 300-point rally seemed the “break away gap” to lift the market out of its recent stall. That it apparently was not, lies in part with the idea that it was more 100-point rally than 300-point rally. This is based on numbers of internal rather than external strength – the QCHA and even market breadth. There are no bad 300-point rallies, even if it wasn't as good as it looked. It's not the end of the world and, while gaps in the averages usually are filled, a close below S&P 2365 would do so and we're there. Given the lack of overall technical problems, divergences and the like, at worst it seems more trading range of sorts and, heaven forbid, stock picking. The other positive last week was the seeming breakout in the Banks. There, too, no big follow through as yet, but also, no real harm. It's still about keeping up with, or getting ahead of, the rotation.

A new problem for this market is an unusual and surprising one, that being 12-month New Lows. New Lows have exceeded New Highs a couple of days this week, which of itself wouldn't seem a big deal. However, when, like now, it happens near a new high in the S&P, it is. It suggests the high in the averages is without real leadership and, therefore, is unlikely to be durable. Sounds a bit suspect, but historically it usually results in a market correction of 3-to-5%. We're not ones to make excuses for the indicators, but were we, it could be that the rotational nature of the leadership is at play here. And, of course, there's the recent severe weakness in the Energy sector and, remember, there's a whole big bunch of Energy-related stocks. There also are a whole big bunch of Financial stocks that, when they get going again, could resolve this problem rather quickly.

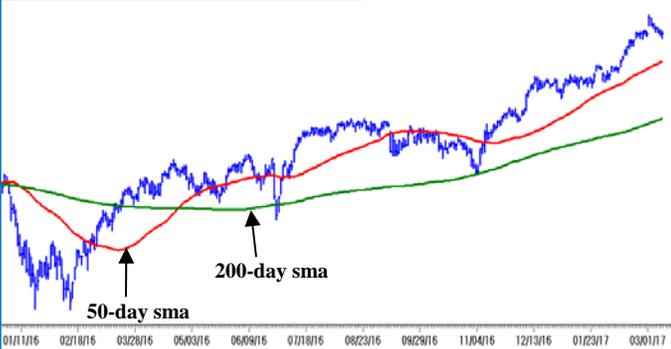
Technology is a wonderful thing, unless you're in the oil business – higher U.S. production and slowing demand equals record supplies, despite the hype of OPEC cuts. This at a time when the world seems a better place, that is, growing. Oil isn't alone in offering dubious growth forecasts. Copper sets the tone here and is sitting at a two-month low. When it comes to the technical background, it's the break in oil that hurts. There are far more Energy shares than Copper shares, which in part explains the expansion in 12-month New Lows. It also helps explain how the Advance-Delay Index has turned so weak. Notice we said explain, not excuse. Poor advance-delay numbers are a precursor to market problems. Sure it's “only those Oil stocks” and in 2007, it was “only those Financial stocks.” The real key here is how the A-Ds respond in market strength. Up a 100+ Dow points and flat A-Ds – then it's trouble.

Children's Place (116) is just about the only place in retail where you can find an uptrend. Even the formerly strong Costco (166) had a disappointment and a subsequent gap to the downside. Then, too, we suppose it's hard to buy lumber online, so Home Depot (147) and Lowe's (81) are doing just fine. Just what Trumpcare might entail isn't clear, and the Healthcare stocks took a little hit on those worries the other day. However, the stocks won't keep discounting the same news and these little dips seem a buying opportunity. In the event, most of the charts here are impressive. Another area that seems to have come through the ups and downs of being a Trump stock is Aerospace/Defense. Then there are the FANG stocks, relatively dormant for a while now. Here is where the expression, “never sell dullness in a bull market,” would seem to apply. Meanwhile, Gold is in a perfect negative storm – higher rates, stronger dollar again, and the smart money hedgers are short.

Frank D. Gretz

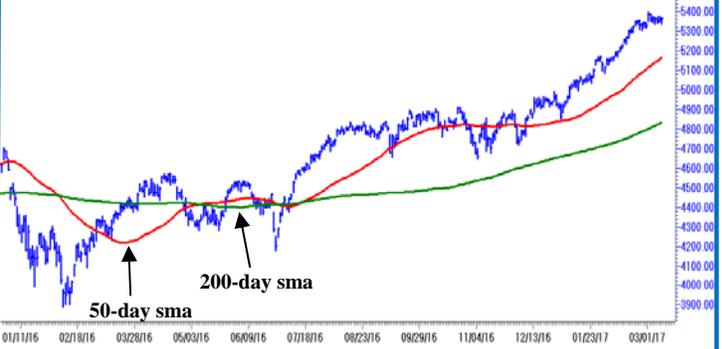
S&P 500 (SPX – 2365) – DAILY

Daily > SPX-01 S&P 500 Index C: 2364 Chg 1 > sma50 2308.7 > sma200 2183.6

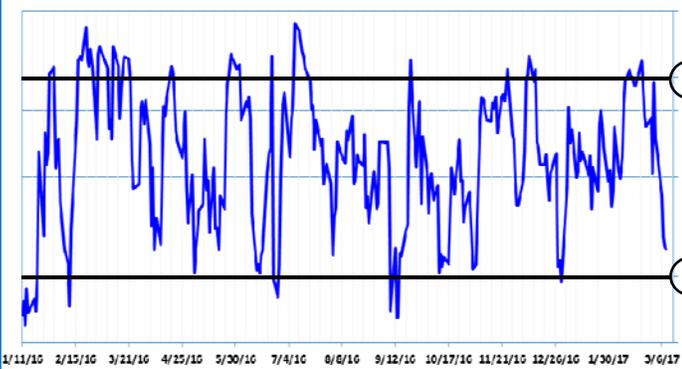


NASDAQ 100 (NDX – 5364) – DAILY

Daily > NDX-01 Nasdaq 100 Index New Calculation C: 5363 Chg 4 > sma50 5168.7 > sma200 4832.5



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

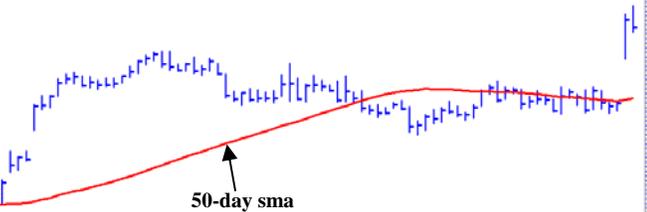


ADVANCE-DECLINE INDEX - DAILY



CHILDREN'S PLACE (PLCE – 116) - DAILY

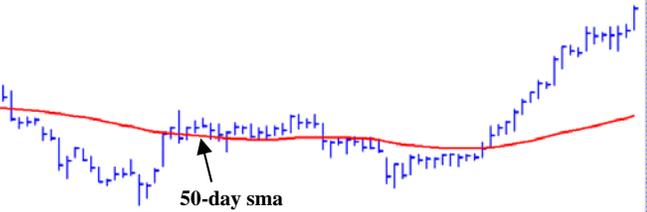
Daily > PLCE Children's Place Retail Stores Incorporated C: 116.4 Chg 1.7 > sma50 100.94



PLCE Children's Place Retail Stores Incorporated V: 1.458M

JOHNSON & JOHNSON (JNJ – 126) - DAILY

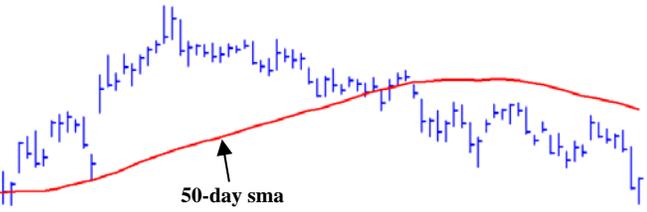
Daily > JNJ Johnson & Johnson C: 125.9 Chg 1.8 > sma50 118.88



JNJ Johnson & Johnson V: 8.958M

SPDR FUND ENERGY (XLE – 70) - DAILY

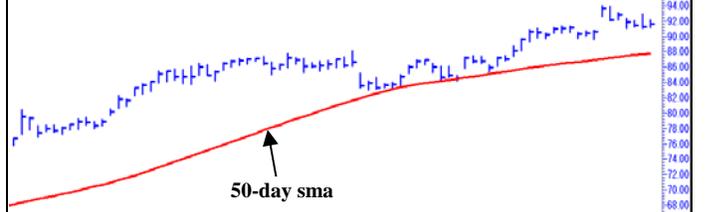
Daily > XLE Select Sector Spdr Trust (The) (Energy) C: 70.1 Chg 0.4 > sma50 75.44



XLE Select Sector Spdr Trust (The) (Energy) V: 27.183M

JPMORGAN CHASE & CO. (JPM – 92) - DAILY

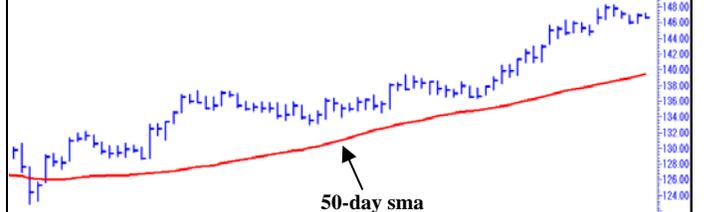
Daily > JPM JPMorgan Chase & Company C: 91.5 Chg 0.3 > sma50 87.73



JPM JPMorgan Chase & Company V: 13.705M

HOME DEPOT INC. (HD – 147) - DAILY

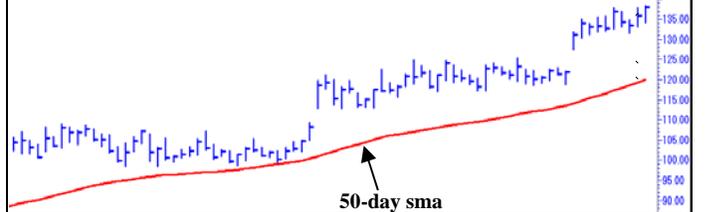
Daily > HD Home Depot Incorporated C: 146.6 Chg 0.3 > sma50 138.45



HD Home Depot Incorporated V: 3.994M

INCYTE CORPORATION (INCY – 138) - DAILY

Daily > INCY Incyte Corporation C: 138.0 Chg 2.0 > sma50 125.00



INCY Incyte Corporation V: 1.282M