WELLINGTON SHIELDS & CO.
MEMBER NEW YORK STOCK EXCHANGE

EQUITIES PERSPECTIVE

March 17, 2017
DJIA: 20,935

The trend is your friend … provided you can find one. We have a rather sophisticated system for identifying trend, one using equally sophisticated instruments – a pencil and a ruler. If you can draw a line across a bunch of low points, and the slope of that line is up, you've got yourself an uptrend. No convergence-divergence, MACD, 5-day exponential average above the 13-day for us. We do confess to using basic moving averages like the 50- or 200-day because often they serve the same purpose as trendlines. So why bother with all the other technical stuff? Glad you asked. Trendlines are sort of about looking at the outside, the other stuff is more about looking at the inside. The other stuff can be a warning of sorts as to when an uptrend might change. For example, the market averages are one thing, the average stock, another. When the averages move up, but fewer and fewer stocks participate, it means investable funds are becoming depleted. Eventually the averages succumb as well.

For now, most, if not all, seems right with the world. The Dow and S&P remain in their uptrends, albeit consolidating in these uptrends. The Transports are correcting, but with the Transports, there always seems something, in this case, the Airlines. Of a bit more concern is the Russell 2000. These secondary stocks, with little foreign exposure, were supposed to be Trump beneficiaries. Together with the Russell, breadth itself has had a relatively sharp correction. Even here, however, the trend remains up. When divergences between the Advance-Decline Index and the averages do occur, consequences take time. We like to say that by the time they matter, you won't want to hear about it, in part because the averages will continue to move higher. Now that the A-D Index has had this little correction, in the short term it will be interesting to see how it responds in an overall rally. Wednesday was an excellent start.

Back on March 1, we opined that a DJ 300-point rally that day was more of a DJ 100-point rally. Breadth was 2-to-1, decent but not special. The QCHA, a measure of the net price movement in advancing versus declining stocks was 98, also good, but not special. Wednesday's rally, by contrast, saw a 7-to-1 advance/decline ratio and a QCHA of 142, more of a 300-point rally than the DJ 113-point rally it actually was. Naturally a few things came together, like finally a rally in Energy. However, it counts, and it was impressive. Then, too, no matter what the day, one day is just that – you need some effort to follow through. Good markets don't give you a good chance to get in and all the rest of those catchy sayings, all of which happen to be true. Despite Wednesday's strength, we wouldn't be thinking some big pullback is to be expected.

A funny thing happened on the way to the rate hike. In what universe are rising rates a good thing for stocks, but Wednesday they were. We knew the market was ready for the hike – for the Fed it was a catchup move, and it was a sign the Fed thinks well of the economy. Yada, yada, the history of Fed tightening cycles is not one of happy endings. Then there's the idea that what was supposed to rally didn't, and what wasn't supposed to rally did. The Banks were supposed to be the big winners, but did nothing or went down. Seems Bonds got oversold and rallied to flatten the yield curve, and the Dollar fell instead of rallying as it is supposed to do when rates move higher. We say "supposed to" because the Dollar generally declines when the Fed hikes, hence the sharp rally in precious metals. Many of these changes, we suspect, are subject to change themselves. Most Financials still make sense. So too does Healthcare, despite the little setback on Thursday.

Warren seems to have done it again – put the kibosh on Airlines. He did it once before when, years ago, he bought U.S. Air. He subsequently sold and swore off but, as they say, time heals all wounds. We, ourselves, are in an Airline 12-step program, never having gotten them right whether long or short. In the event, after never having seemed to get it right themselves, Airlines have done alright in recent years. The recent consolidation, which is all it is, seems ironic in light of oil's recent fall, but that's the Airlines for you. The long-term picture here, something we thought we would never say in reference to the Airlines, is really quite impressive. The recent action seems just a consolidation of the gains, and like "consolidation patterns," should lead to higher prices. We might note this pattern is another where drawing a couple of lines served you well. Meanwhile, Warren is doing just fine in the mothership, Berkshire (174).

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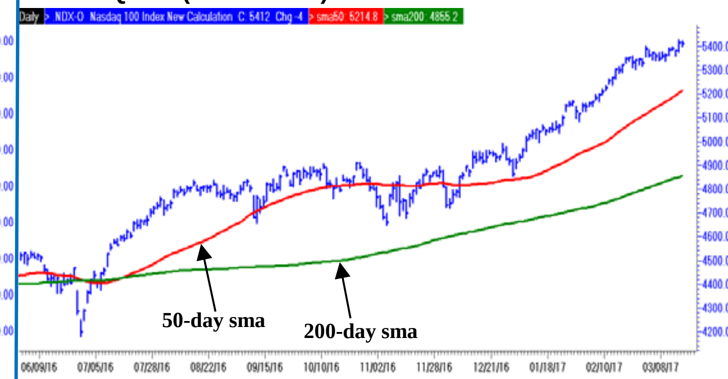
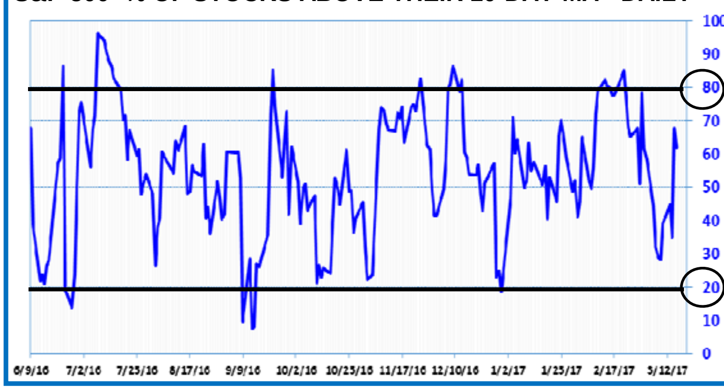
S&P 500 (SPX – 2381) – DAILY

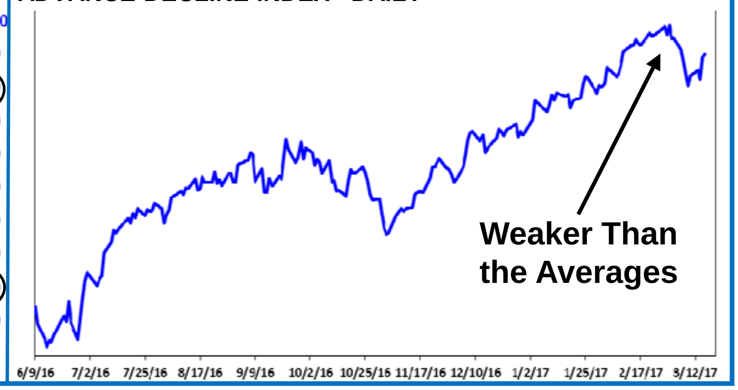
NASDAQ 100 (NDX – 5412) – DAILY



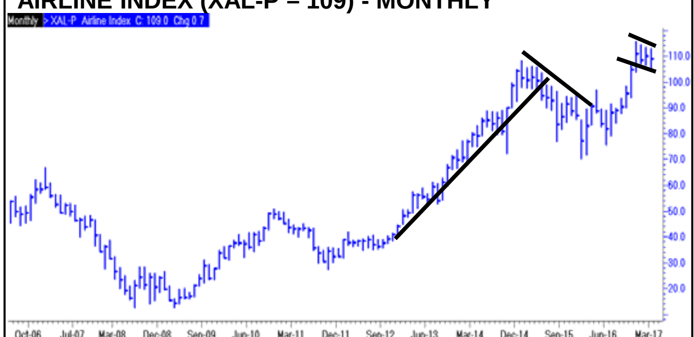
S&P 500 -% OF STOCKS ABOVE THEIR 10-DAY MA - DAILY



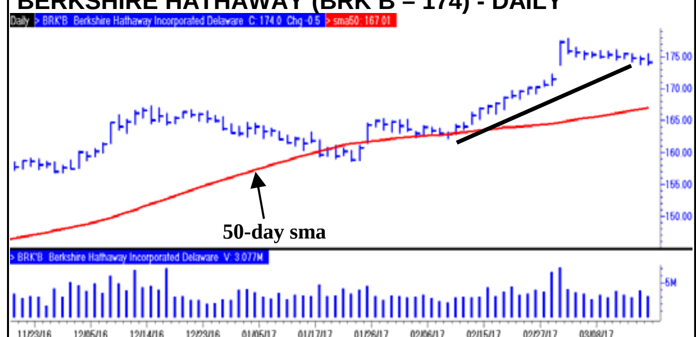
ADVANCE-DECLINE INDEX - DAILY



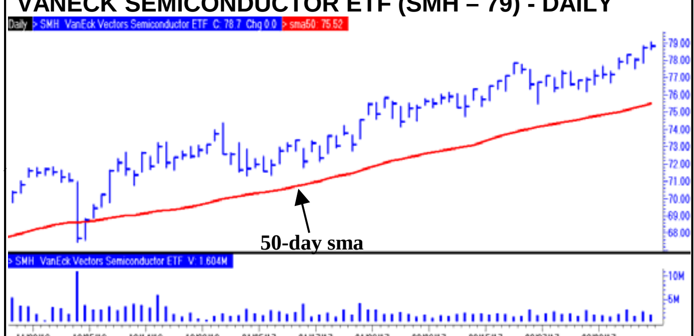
AIRLINE INDEX (XAL-P – 109) - MONTHLY



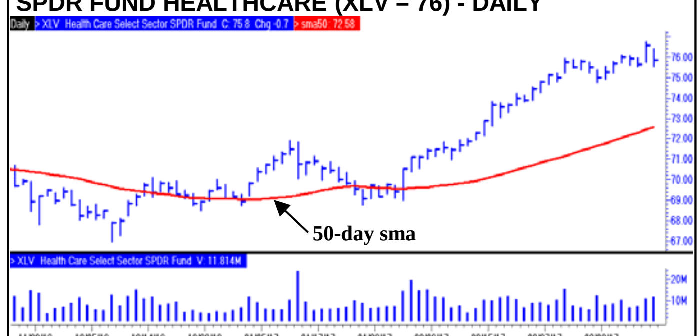
BERKSHIRE HATHAWAY (BRK'B – 174) - DAILY



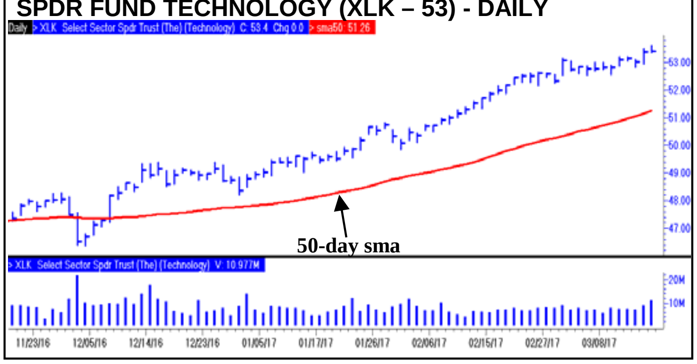
VANECK SEMICONDUCTOR ETF (SMH – 79) - DAILY



SPDR FUND HEALTHCARE (XLV – 76) - DAILY



SPDR FUND TECHNOLOGY (XLK – 53) - DAILY



ORACLE CORPORATION (ORCL – 46) - DAILY