WELLINGTON SHIELDS & CO.
MEMBER NEW YORK STOCK EXCHANGE

EQUITIES PERSPECTIVE

March 31, 2017
DJIA: 20,728

Amazon, Apple, Facebook and Google … who could ask for anything more? The Beatles would contend that all you need is love. In the stock market, however, we would argue for the above and, before you protest, we'll throw in Netflix (148), Priceline (1783) and pretty much any old Semiconductor, even Lawrence Welk. A little less certain, though having a good week, are the Biotechs. The point is not that Tech is acting well – the nifty-fifty of this market – but that the market has narrowed. Gone are Energy and Retail, and the recently departed Financials. Nothing goes straight down, of course, and the sharp rally in the Financials already has produced some relief, but real relief now will take time. That Energy has slowed its decline is more hopeful, at least until we find out Moore's Law also applies to the frackers. As for Retail, the bricks and mortar type, do your Christmas shopping early, while stores are still there.

The perceived narrowing has taken its toll on the Advance-Decline Index, though not as much as you might have thought. Where it shows pretty dramatically is in a price measure like the number of stocks above their 200-day moving average. As of last week, the percent of stocks for the NYSE was at 60. The charts on the back use the S&P 500 stocks, where the number is 77% as of Thursday's close and 74% as of the end of last week. This difference is unusually large, but in this case likely reflects the broader nature of the NYSE versus just the S&P – the many, many weak banks, the many, many weak energy shares, and so on. The distinction here isn't altogether moot as it shows just how bifurcated the market is in terms of the average stock's performance. Even the higher number isn't all that good for a market dancing around all-time highs.

If the poor action in Financials and Energy has left the market looking a little the worse for wear, on Thursday they made it look a little better than it probably is. In other words, Banks and Oil rallied. Given there are many of them, advance-decline numbers were better, though still not wonderful. We wouldn't expect much of these two groups, but this is when observing is better than predicting. Meanwhile, the NASDAQ managed a new high, as did the Semiconductor ETF (SMH, 80). While buying the strong groups or sectors typically proves a winning strategy, there always are exceptions. In Retail, for example, there's Children's Place (121), consolidating after a gap higher in mid-March. And, amidst the chaos that is Retail, Wal-Mart (72) acts almost surprisingly well, perhaps a Darwinian thing – the strongest, in this case best capitalized, will survive.

Narrowing or diverging markets never are good. They are a sign investable funds are being dissipated. It's just a matter of when is enough, enough and the answer rarely is clear. Even when clear, investors don't want to hear about it because often they're making money somewhere – the nifty-fifty, the dot-coms, or wherever it might be this time around. And we may be getting ahead of ourselves, the market might broaden again, the Financials may yet accommodate the majority, Energy already is bouncing and Retail might pay a visit to Lourdes. However, this pattern in stocks above their 200-day moving average is that of an aging bull market. Best to stay with the uptrends, that is, the stocks on the right side of this 200-day. You will find most of those in the Tech sector, at the risk of oversimplifying. For all the recent disappointments in the Trump trade, Defense stocks have come through very much intact. Even much of Healthcare has held together pretty well.

How about that Miss Lemon, Lulu (51) to her friends. She can't count many technicians among them, given the Wednesday close and Thursday collapse. It always feels better to make 15 points than to not lose 15 points, but in this case a miss is as good as a hit, at least conceptually. Fortunately, it's not a stock that has ever piqued our interest. We did have a horse in the sneaker race and Nike (56) pulled pretty much the same thing – good chart ahead of disappointing numbers. Of course, a look at the charts of Foot Locker (75) and Finish Line (14) might have offered some industry insight, just as Retail generally might have steered you clear of the always tricky Lulu. Still, the charts, per se, didn't help, and we're not sure why. Someone usually "knows" and it shows up in the charts/trading. Where is that insider trading when you need it?

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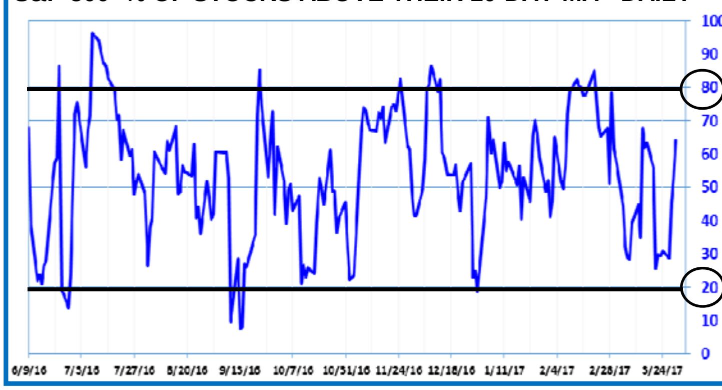
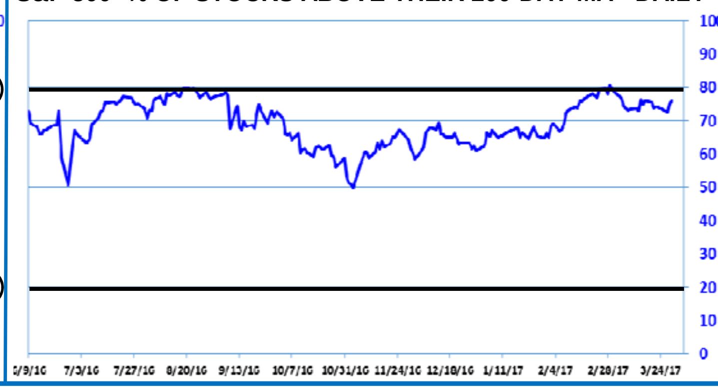
S&P 500 (SPX – 2368) – DAILY

NASDAQ 100 (NDX – 5440) – DAILY

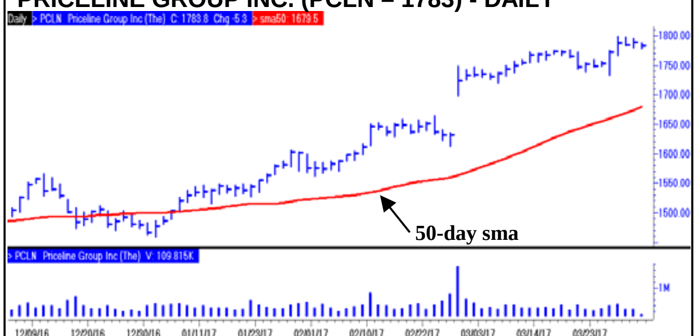
S&P 500 -% OF STOCKS ABOVE THEIR 10-DAY MA - DAILY



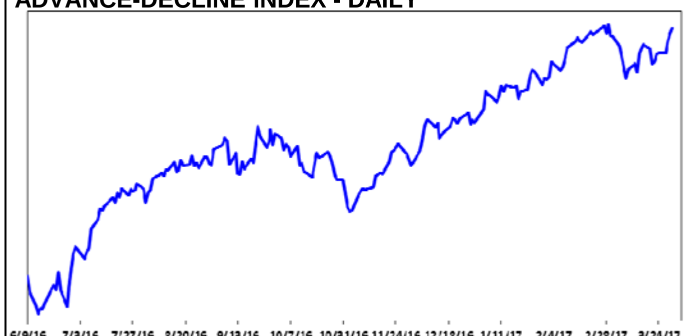
S&P 500 -% OF STOCKS ABOVE THEIR 200-DAY MA - DAILY



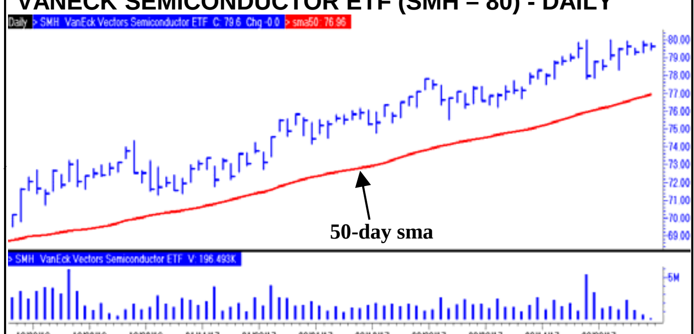
PRICELINE GROUP INC. (PCLN – 1783) - DAILY



ADVANCE-DECLINE INDEX - DAILY

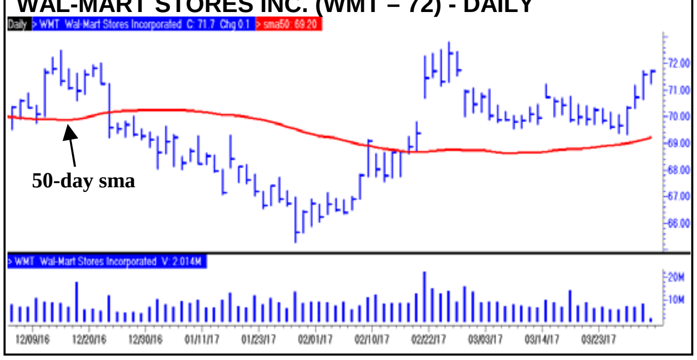


VANECK SEMICONDUCTOR ETF (SMH – 80) - DAILY



LULULEMON ATHLETICA (LULU – 51) - DAILY

WAL-MART STORES INC. (WMT – 72) - DAILY



LOCKHEED MARTIN (LMT – 268) - DAILY