

EQUITIES PERSPECTIVE

May 5, 2017
DJIA: 20,951

PFANG ... where the P is silent, though hardly dormant. Some have offered FAANG as an alternative acronym, where the A is for Apple (147), and we have no problem with this. Priceline, however, certainly deserves recognition. It is, after all, like Amazon (938), a dot-com survivor. More than that, for years now Priceline is one of those always-higher-on-the-right-than-on-the-left kind of charts. Yet it never seems to get the attention of the rest. For most of us, the price always is a bit daunting. Even William O'Neil, publisher of IBD, used to advise purchase of stocks in the \$15-\$25 range – more bang for the buck. A \$1,000 per share price conceptually wouldn't seem to leave a lot of room, but that was back at the start of 2016 versus a current price above \$1900. It occurs to us that like most of these stocks with a high share price, they didn't get there through reverse splits.

This week wasn't last week. We suspect last week's good numbers led to a little over-discounting of this week's numbers and this isn't all bad. It keeps things away from that dot-com look. Despite being a little overbought, the market didn't give up much on Apple or Facebook (151) and this seems impressive. With the Advance-Decline Index at new highs and even the Russell acting well, we've yet to see the market narrow. Regardless, the money has been in Tech, and we expect this to continue. Meanwhile, we really do seem to be fracking our way to \$20 oil if you look at any of the oil-related ETFs. Energy is only 6% of the S&P, but we never like to see stocks get too out of sync and the Oil stocks are out of sync with an otherwise bull market. The oil decline has to be bad for someone, though even the Texas banks so far have held together. Most of the Metals also have fared poorly. Makes you wonder a bit about global growth.

So the Apple and Facebook news seems to have been discounted. Even the eighth grade nun who didn't like your math homework would have liked those numbers. Discounted news becomes "sell on the news" – no surprise, no pop. However, there were plenty of surprises both good and bad and, therefore, plenty of price gaps. There was a time when good news followed the charts – good chart, good news, and vice versa. Sadly, it's no longer as easy as that, likely due in part to Reg FD. Twilio (25) and Cheesecake Factory (63) were two glaring exceptions to the good chart, good surprise rule, and then there were stocks like IAC/InterActive (98) and Align (142) that followed the script perfectly. Typically what is important is not just the surprise and resulting gap, but what follows the gap. Stocks often consolidate following gaps, but then eventually follow in the direction of the gap.

Not too long ago, we pointed out an unusual pattern in Financial stocks. There were, at the time, a large number of stocks in short-term downtrends while, at the same time, there were a large number of stocks in medium-term uptrends. At least in theory, an ideal configuration – stocks correcting in uptrends, the proverbial chance to buy. This same pattern is now present in the Utilities. Of the Utilities, only 10% of the shares are above their 10-day average while more than 80% are above their 200-day average. The Utility ETF (XLU-51) itself has been in a very narrow trading range since late-February, a consolidation that would be resolved with a move through the 52-area. Meanwhile, even a few food stocks came to life – General Mills (57) on the usual rumors. Domino's (190) and Constellation (177), of course, don't need rumors to move higher.

There have been two great trades this year – long Tech and short Oil. As we suggested above, Oil could become a problem for reasons most of us don't yet understand, and won't until the market already is down. Tech is not a worry, though some try to make it so. Despite what Mae West told you, there can be too much of a good thing, but we're far from being there – this isn't the dot-com 1999-2000. When there, everyone will find a reason to be a buyer, not a worrier, it's just the way bubbles work. Meanwhile, a day like Thursday tells you that of late there are more down Energy stocks than up Tech stocks, and therefore a net 800 down issues, while the Dow lost only 6 points and the S&P was flat. Now this is the opposite of what we like to see, opposite of what you would call healthy. Not to make excuses, in this case knowing the rationale makes a difference. A couple of good days in Oil would pretty quickly set things back on track. A rally in Oil and ongoing poor breadth, that's different. Meanwhile, breadth divergences – divergences between the averages and the Advance-Decline Index – take time to produce consequences. For this market, it's still more about where you're in versus whether you're in.

Frank D. Gretz

S&P 500 (SPX - 2390) - DAILY

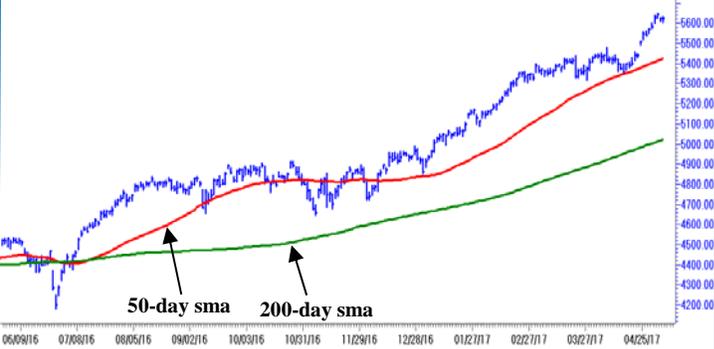
Daily > SPX-01 S&P 500 Index C: 2389 Chg 1 > sma50: 2385.7 > sma200: 2245.0

Still Consolidating



NASDAQ 100 (NDX - 5626) - DAILY

Daily > NDX-01 Nasdaq 100 Index New Calculation C: 5626 Chg 1 > sma50: 5425.4 > sma200: 5023.1

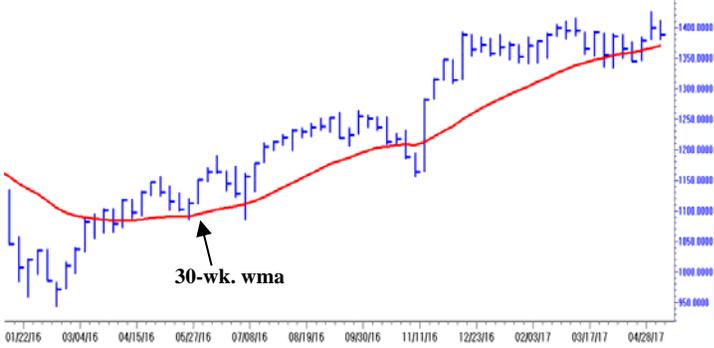


S&P 500 -% OF STOCKS ABOVE THEIR 10-DAY MA - DAILY



RUSSELL 2000 INDEX (RUT - 1389) - WEEKLY

Weekly > RUT-E Russell 2000 Index C: 1388.8 Chg -2.0 > sma30: 1359.7



SPDR S&P OIL & GAS EXP. & PROD. (XOP - 34) - WEEKLY

Weekly > XOP SPDR SER TR S&P Oil & Gas Exploration & Production C: 33 Chg 1 > sma30: 37.81



SPDR FUND UTILITIES (XLU - 51) - WEEKLY

Weekly > XLU Select Sector Spdr Trust (Utilities) C: 51 Chg 0 > sma30: 50.28



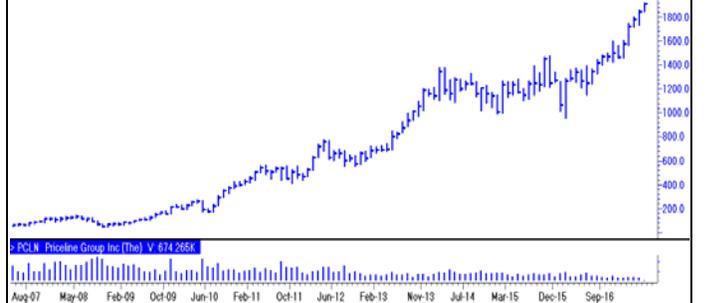
TWILIO INCORPORATED (TWLO - 25) - DAILY

Daily > TWLO Twilio Incorporated C: 25.2 Chg 0.5 > sma50: 30.23



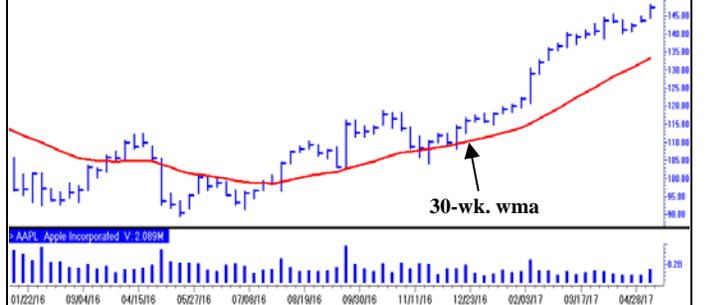
THE PRICELINE GROUP INC. (PCLN - 1910) - MONTHLY

Monthly > PCLN Priceline Group Inc (The) C: 1910.4 Chg 33.6



APPLE INCORPORATED (AAPL - 147) - WEEKLY

Weekly > AAPL Apple Incorporated C: 147 Chg 0 > sma30: 153.28



IAC/INTERACTIVE CORP. (IAC - 98) - DAILY

Daily > IAC IAC/InteractiveCorp C: 97.7 Chg > sma30: 76.56

