Wellington Shields & Co.
Member New York Stock Exchange

Equities Perspective

November 4, 2016
DJIA: 17,931

Woulda, coulda, shoulda … but didn't. Those six days on either side of November 1 are the most bullish days of the year, rising 19 of the last 23 years – but not this year. Perhaps this should come as no surprise as the seasonal stuff hasn't worked this year, as per the weak January. Still, this failure doesn't bode well. The market was at least modestly oversold and in this sense was set-up for a rally. Moreover, it didn't just fail to rally, the S&P took out a support level and has been down 8 days in a row. Then there's Facebook (120), where 40%-50% gains just aren't enough. Facebook's reaction isn't about Facebook, the number or guidance. It's about the market. Markets make the news. A better market – the stock is up. So this good news is bad news, and has little to do with Facebook. Inasmuch as Facebook is a part of what we consider to be the market's leadership, and there isn't much else, the action is all the more negative.

It's hard to know how much the poor action has to do with the election. Just hope it really is over next week. It's our opinion, and not a political one, that the market won't like a Trump win – something about change and the unknown, that high Sharpe Ratio. We know how Mexico feels – that market mirrors his ups and downs. By the look of IBB (247), the Biotech ETF, and XLV (66), that of Health Care, neither candidate is good. Only 30% of Health Care stocks remain above their 200-day moving average, already it's that bad. However, other lows haven't come about until this number reached 20%. Even Oil and Gas are a little over the cliff of late. The good news, such as it is – the market is oversold or stretched to the downside. The seasonal stuff hasn't worked this year, but the percent of stocks above their 10-day moving average, when around 20%, has done a decent job. And the Put-Call Ratio is the highest in six years.

Support and resistance levels in the market averages are not some of our favorite things. The idea that a rally or decline will stop at certain levels is a little too hocus-pocus for our liking. However, when those support or resistance levels are broken, this is different. By definition it means there is a change – an area that previously has held, no longer does. In technical analysis, change is always important. Last week the Russell 2000 broke a level that had held for some time, this week the S&P did the same. Recognizing a change in trend isn't easy, but breaking support levels is one step along the way. A bigger issue, and we're not there, would be breaking the S&P's 200-day moving average and, finally, having the 50-day cross below the 200-day. All the net gains in the stock market occur when, for the S&P, the 50-day moving average is above the 200-day.

The market has gone nowhere for longer than most of us realize – the Dow was 18,000 back in December 2014 and it's still there. The NASDAQ is alone in having nudged to a new high recently, but those were almost momentary moves which quickly reversed. By the recent action in the FANG stocks, those highs now look like a thing of the past. One steadfastly bullish aspect of the market has been the advance-decline numbers. Bull markets die a piece at a time with the "average stock" peaking ahead of the averages. In this case, the Advance-Decline Index has kept pace with the big-cap averages, versus a historical norm of peaking some 4-to-6 months ahead. Then there's the Russell 2000, which literally measures secondary stocks. The picture there can best be described as scary – head-and-shoulders scary. Advance-decline numbers have deteriorated but not like the Russell, probably because of ETFs – ETFs hold the weak stocks together. Time will tell, to coin a phrase, but if the strong aren't holding, time to pare back the weak.

With the gift-giving season fast approaching, this is no time to be running low on coal. To look at KOL (13), the Coal ETF, others share our view. This is a chart to rival the FANG stocks at their best. There is a possible problem here, however, most of the names that make up this ETF aren't just foreign, they're names unknown, at least to us. However, one that mirrors the KOL chart is Teck Resources (21), a natural resource company whose segments include steelmaking coal. As it happens, SLX (33) is the ETF for Steel, and also isn't a bad chart. Who knew that there's more to life than just Tech? Also, finally improved is Gold. Gold and Silver had been doing just fine until mid-August, around the time the Dollar was making a stand. By mid-August, GDX (25) had come down to its 200-day moving average, an area where many corrections find support. Since then, GDX has been basing and is trying to break the August downtrend.

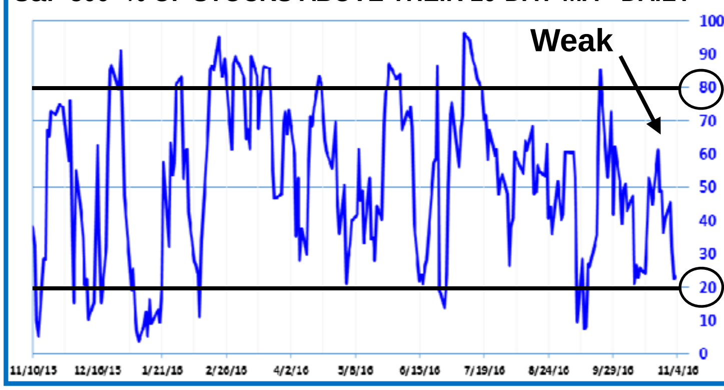
Frank D. Gretz

140 BROADWAY NEW YORK, NY 10005 TELEPHONE: (212) 320-3000

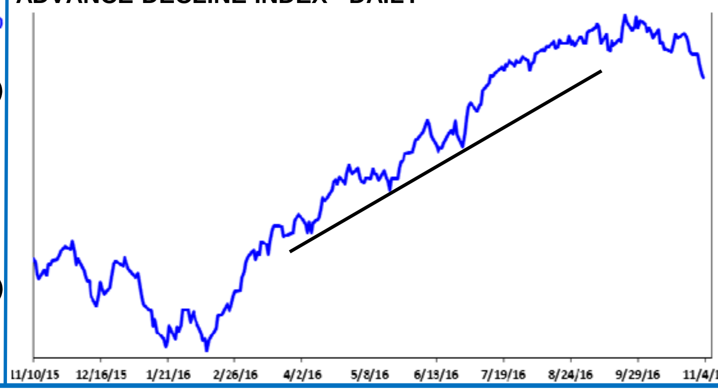
S&P 500 (SPX – 2088) – DAILY

NASDAQ 100 (NDX – 4679) – DAILY

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



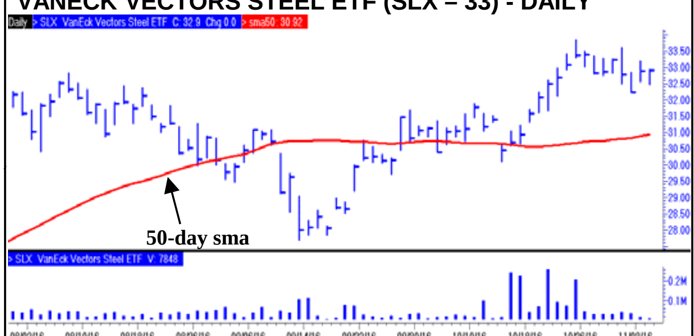
ADVANCE-DECLINE INDEX - DAILY



VANECK VECTORS COAL ETF (KOL – 13) - DAILY

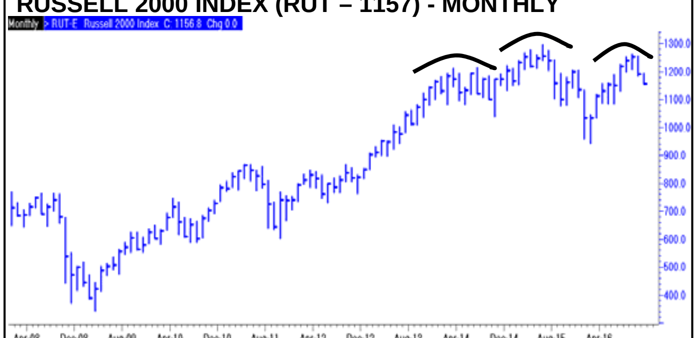
ISHS MSCI MEXICO CAPPED ETF (EWW – 49) - DAILY

VANECK VECTORS STEEL ETF (SLX – 33) - DAILY



VANECK VECTORS GOLD MINERS ETF (GDX – 25) - DAILY

RUSSELL 2000 INDEX (RUT – 1157) - MONTHLY



FACEBOOK INC. (FB – 120) - WEEKLY