WELLINGTON SHIELDS & CO.
MEMBER NEW YORK STOCK EXCHANGE

EQUITIES PERSPECTIVE

September 22, 2017
DJIA: 22,359

Give me an N … give me a Vidia. What you have is the leader of the pack, in this case, the Semiconductor pack. Nvidia's (181) dramatic breakout last Friday seemed to hit the reset button for the whole group, and most of the rest of Tech, seasonality be damned. Nvidia is one of those stocks that most love, but can't buy—you know, too expensive. When you think about it, this might be the definition of every great stock—think Amazon (965), Google (932) and others you would rather stick needles in your eyes than buy. It's when it becomes easy to buy that it's time to worry. Back in the good old dot-com days, Cisco (33) was hard to buy at 20 because no one got it. At 50, they got it, but it was up too much. At 80, they got it and it wasn't up too much considering it was the thinking-man's way to play the Internet, whatever that is. It became its own one-decision stock.

Then, too, there's always something. In this case that would be Apple (153). Apple is following its script of rallying into a product release, then the selling on the news. Hand and hand with the selling is the shocking news that there's gambling going on here—sorry, we meant there are "glitches." When it comes to Apple, the selling is never isolated—the Semiconductor suppliers typically take a hit as well. It's almost amusing to think how often this happens. When was there a glitch that couldn't be fixed, but the stocks are up and looking for an excuse to take profits. Meanwhile, in what would be a real coup, AMD (13), of all companies, may have stolen some of Nvidia's thunder in a possible deal with Tesla (366). We suspect Nvidia will get over it and any pullback will prove a flesh wound. Apple itself, if it continues to follow the script, could take a little more time.

It's almost surprising that the recent strength in Tech has done little for the FANG stocks, though they're more stalled than weak. We're loathe to even mention the word, but their problem in part could be political risk. The story, and here we paraphrase from Barron's, is the benefit to consumers is too little to justify the deterioration in social well-being, though our own well-being always seems enhanced by lower prices. The death of Retail isn't Amazon's fault, but everyone likes a scapegoat. It wasn't all that long ago that Wal-Mart (80) was that scapegoat. And it wasn't that long ago that Microsoft (74) was too big and too dominant. Still the drumbeat could be building for a closer look by policy makers. While we've obviously seen this movie, it could add to the stall for a while. It would also explain why Netflix (189) suddenly became the best of the bunch.

What do Lithium and Fertilizer have in common? The easy answer is Sociedad Química (59), which produces both and has been on a tear. The answer we were looking for, however, is that all of the Lithium and Fertilizer stocks are on a tear, and stretched to the upside. For Lithium, the rationale is simple—batteries. For Fertilizer, the rationale seems less simple—go farmers? Then, too, the explanation could be as simple as few were looking—everyone is focused on Tech or Biotech. Back in 2000's second half, all the consumer stocks went on a tear while everyone focused on dot-coms. Industrial metals like Copper have looked good from time-to-time, with little follow-through. Energy is still in recovery mode, though the going could become tougher from here. Those washout lows like mid-August where 50% of the group made new lows, more often than not are trading lows.

The renewed strength in Financial shares, of which there are many, and the recovery in Energy shares, of which there are many, have resulted in some impressive Advance-Decline numbers—a technician's delight. Until Thursday's little setback, the A/Ds had been positive 8 consecutive days and, including Thursday, negative only 3 days all month. With the exception of the 3.7-to-1 on September 11th, these haven't exactly been blowout numbers, but enough to take the Index to new highs, confirming the Dow and S&P. By now, we all know this isn't a backdrop for big trouble. Not surprisingly, Fed data shows household holdings of common stock approaching the levels of the entire GDP, exceeded only in 1999/2000, and not even the most bearish active money manager is net short. Let's say this backdrop is concerning, but doesn't matter until the A/Ds say it matters. Meanwhile, it's still September, a seasonal problem, and the percent of stocks above their 10-day moving average is correcting.

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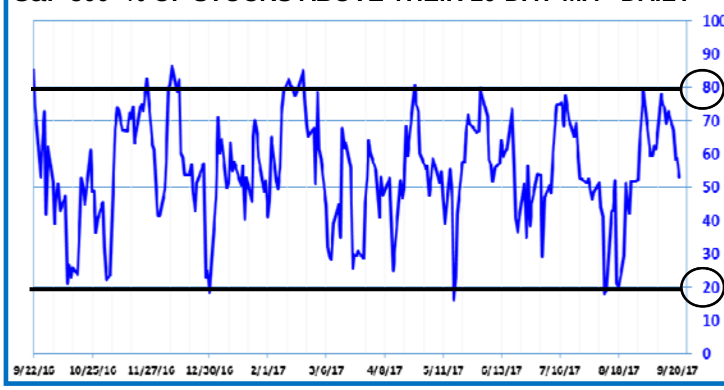
S&P 500 (SPX – 2501) – DAILY

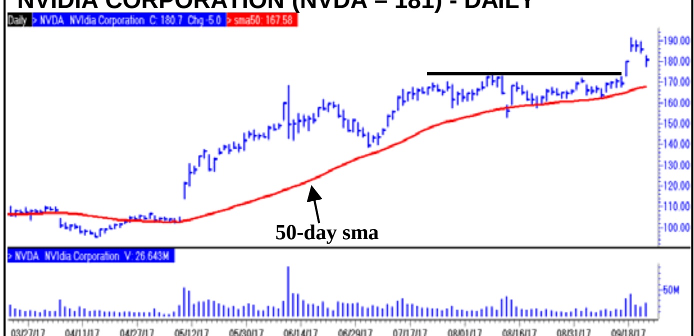
NASDAQ 100 (NDX – 5935) – DAILY

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



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

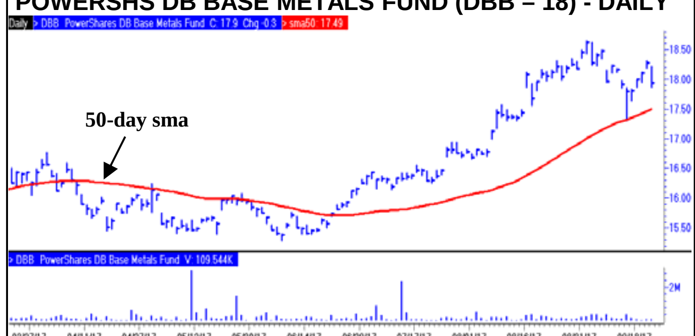
NVIDIA CORPORATION (NVDA – 181) - DAILY



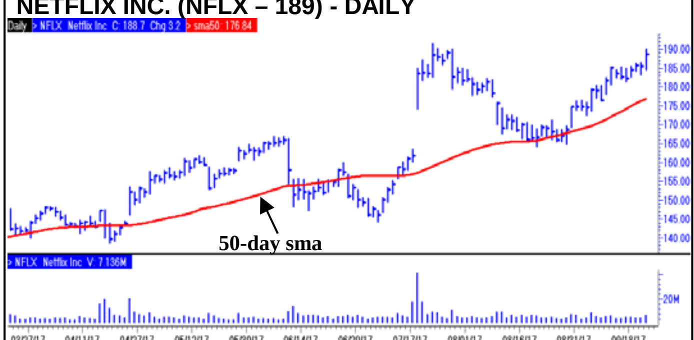
VANECK SEMICONDUCTOR ETF (SMH – 91) - DAILY

SOCIEDAD QUÍMICA Y MINERA (SQM – 59) - DAILY

POWERSHS DB BASE METALS FUND (DBB – 18) - DAILY



NETFLIX INC. (NFLX – 189) - DAILY



ISHS NASDAQ BIOTECH ETF (IBB – 331) - DAILY