Wellington Shields

EQUITIES PERSPECTIVE

October 29, 2021
DJIA: 35,730

Still looking for a 20% correction… that could be your career flashing in front of you. That's true for the professionals, many of whom already are lagging. And it could give new meaning to, "buy don't bid" as the year comes to a close. Imagine, Tesla (1077) up every day? More modestly, we wouldn't expect too much trouble going into year-end. It's a seasonally positive period, but almost more importantly the harrowing month of October is ending. We have mentioned the Advance-Decline Index once or twice, in this case to point out its new high. This measure of the average stock tends to lead the stock averages prior to important corrections. Since 1928, the S&P was five times more likely to see a 10% decline within three months if the A/D Index was not at a multi-year high. When it did break out, as it has now, there was only a 4.6% probability of a 10% or greater decline in the next few months, according to SentimenTrader.com.

Whether it's a drift or a sprint higher, where you're in likely will remain as important as whether you're in. The market has favored commodities and financials over most, but don't tell that to stocks like Advanced Micro (121), Nvidia (249) and Microsoft (324). And just when you think there's nothing new under the sun, so to speak, Solar comes along with a blowout move on Wednesday. Solar is a good example of how hard it has been this year to settle on leadership. Until February it looked like the real deal, and by May it looked like the great meteor was on its way. Overall, at least to look at TAN (98), the Solar ETF, it seems to be coming out of a lengthy base pattern. Yes, more rotation, but probably not to the detriment of Oil. Lithium and Uranium also are two areas we favor, LIT (91) and URA (27), respectively, are the ETF's there. And, there's Gold.

Bitcoin has garnered renewed enthusiasm in part on the back of the new ETF, Bitcoin Strategy (39). We're exaggerating just a bit, pun intended – talk is Bitcoin to the moon. Here at a modest new high, you have to admit it has fulfilled previous expectations, defying naysayers. Meanwhile, Bitcoin has its skeptics, but so did Amazon (3468) and Tesla. Then, too, there's a graveyard of stocks, especially in Tech, where the skeptics had their day. We have no strong overall opinion except to notice while never lacking for enthusiasm, Bitcoin does seem to have its bouts of over-enthusiasm. One of those was when Coinbase (319) came along last April. From its high back then COIN dropped some 50%. More to the point, if you use Marathon Digital (50) or Grayscale (49) as a proxy, the enthusiasm COIN engendered at the time finished the rally in Bitcoin. Just as COIN was thought somehow to legitimize Bitcoin, the same is now being said of the ETF. We wonder if it may not play out the same, at least temporarily.

To dampen your enthusiasm just a bit, you might consider "the economy" section of last week's Barron's. The article recounts a paper earlier this month by David Blanchflower and Alex Bryson in which they show that consumer expectation indexes from both the University of Michigan and the Conference Board predict downturns up to 18 months in advance in the U. S. They found that all recessions since the 1980s have been predicted by at least a 10 point drop in these indexes. The Michigan gauge peaked in June and fell 18 points by August, while the Conference Board measure peaked in March and then fell 21 points through September. While they call the economic situation in 2021 "exceptional," downturns in consumer expectations in the past six months suggest the economy is entering a recession now, they say. Why the consumer gloom? Surveys show inflation is the consumer's top concern, something even Powell last week suggested may not be transitory.

The market has ignored /survived a lot of bad news, including last week's word from Powell that inflation may not be transitory. The surprise isn't that he seems wrong – he admits to it! It's possible the market may run in the underinvested, but if it's only a muddle higher, so be it. To whatever degree, higher seems likely. Aside from the stocks we've mentioned, in a get-me-in market, if it goes that way, Google (2917), Tesla and Microsoft seem indicative of where money might easily go. And so it did Thursday with Google. Curiously, the market's initial response to numbers from both Google and Tesla were tepid at best, and then the stocks blew higher – part of the get-me-in? It will be interesting to see what comes of the likely Amazon (3447) and Apple (153) dips. Amazon doesn't seem immune to the world's problems, but will the buy the dip stock do the same? Meanwhile, it's a Gambit, if you catch our drift.

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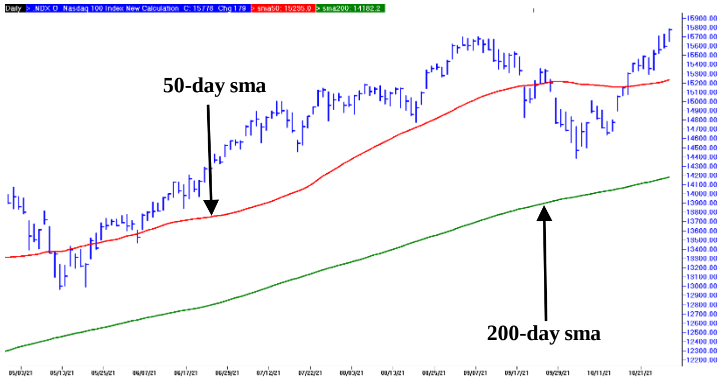
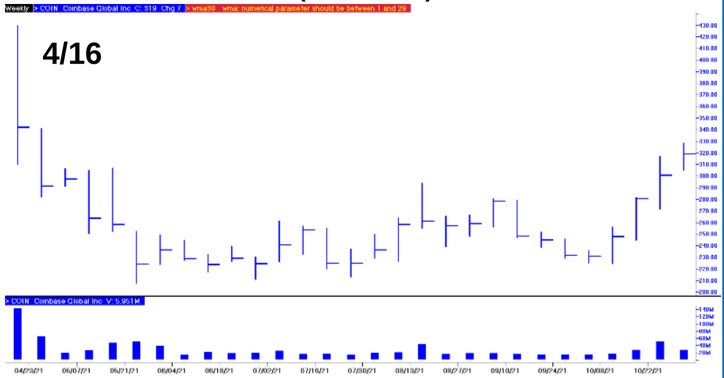
S&P 500 (SPX – 4596) – DAILY

NASDAQ 100 (NDX – 15778) – DAILY

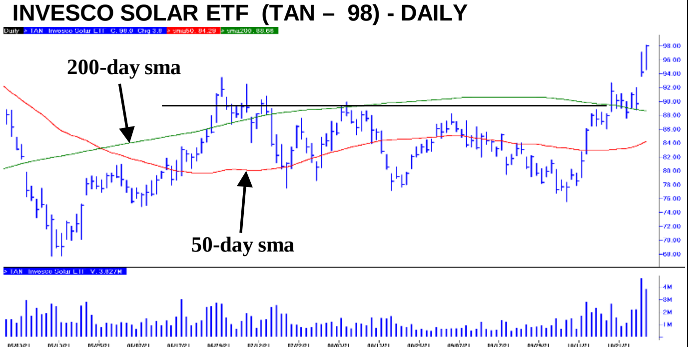


GRAYSCALE BITCOIN TRUST (GBTC – 49) - WEEKLY

COINBASE GLOBAL INC. (COIN – 319) - WEEKLY

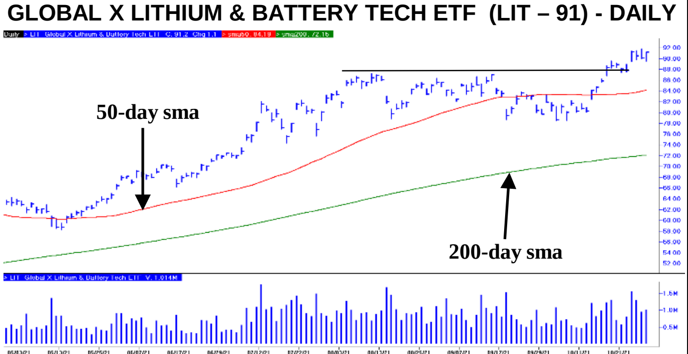


INVESCO SOLAR ETF (TAN – 98) - DAILY



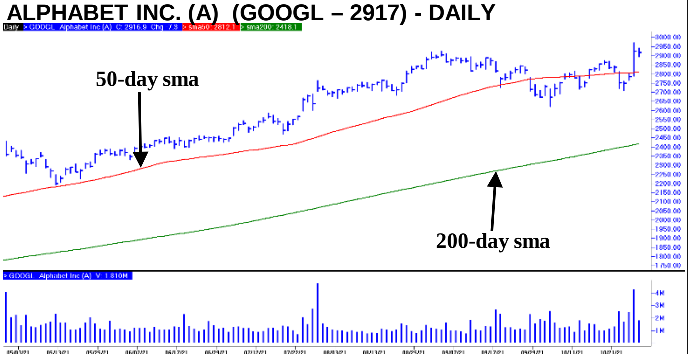
SOLAREDGE TECHNOLOGIES INC. (SEDG – 352) - DAILY

GLOBAL X LITHIUM & BATTERY TECH ETF (LIT – 91) - DAILY



GLOBAL X URANIUM ETF (URA – 27) - DAILY

ALPHABET INC. (A) (GOOGL – 2917) - DAILY



VANECK GOLD MINERS ETF (GDX – 33) - DAILY