Wellington Shields

EQUITIES PERSPECTIVE

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DJIA: 31,253

Bad news in a bear market …who saw that coming? Markets aren't already down this much because things are peachy keen. Good markets, or a sold out market, should be able to absorb a degree of bad news. In this case apparently not, though the possibility of a tradable low is still there. Over the weekend we had become encouraged, if not outright optimistic, by weekly data showing almost 50% of NYSE stocks and 50% of NAZ stocks had traded at 12-month lows last week. That's our idea of sold out or close to it. Throw in as much as 60% of the S&P 20% or more off their highs and there's all the more reason to think we're close if not there. Missing remains the compression in stocks above 200-day moving average, which makes us think no new bull market. As does the idea bull markets with five or more bubbles don't end in five months. There is, however, enough for a March-like tradable rally.

We joke it's a bear market when they sell our stocks, but in bear markets they sell everyone's stocks. Last week had that look, as did Wednesday this week. When you can't hide in Hershey (205), you pretty much can't hide. The idea of a 25% hit to Target (153) is one thing, but hits to Microsoft (253) and Apple (137) may have done greater damage to the investor psyche. It's that helpless, all is lost feeling that gets you to a give up or capitulation phase, and after all that's what lows are about – the selling, not the buying. Backing up this feeling of capitulation have been a few 90% down volume days, days when 90% of the total volume is in declining issues. And last Friday actually saw the counterpart to those days, a 90% up volume day. Those are not so easy to come by, and occur one assumes when selling is out-of-the-way, when stocks move up as though in a vacuum. The problem is lows sometimes see a pattern of these 90% days.

A couple of weeks ago this market began to remind us of 2000. There were, and still are stocks coming down in clumps, much like the dot-coms back then. Of course this time these weren't the dot-coms, they were stocks of a bubble called "stay at home." The poster child here is the ARK Innovation ETF (ARKK-43), and includes names like Roku (97), Teladoc (33), Zoom Video (91), Spotify (106), and so on. Unlike the 2000 dot-com unwind, this market is in the process of unwinding by our count five or six bubbles. Who could forget those MEME stocks, brought to you by the Boyz in the HOOD (10 down from 85), GME (91 from 483), and AMC (13 from 73). Then there are the EV stocks other than Tesla (709) – Rivian (28 from 180), Lordstown (2 from 32). Also up in smoke were MJ stocks like Canopy (6 from 56). And remember when they gave money to someone to buy "something" maybe – the SPACS. The jury may still be out on cryptos but Grayscale (20) has made it to 8 from 58.

Putin's apparent ill health could be a concern if you're long oil. His demise likely would result in a knee-jerk drop in crude's price. Then, too, some last gasp nuclear foray would have the opposite effect. To step back from these unknowns, oil stocks seem likely to go higher. History suggests when they start the year well, they end the year well. Some have suggested if China were to fully reopen the commodity would be $150. Perhaps most positive for the stocks, they still remain under-owned. It's an obvious exaggeration, but how much selling can there be when no one owns them? The answer, of course, is enough to hurt. Meanwhile the stocks are holding their own with most trading around their highs. The problem as suggested above, bear markets tend to get to everything. If a silver lining there, the last to give it up typically are the first to make it up.

Bitcoin has become correlated with stocks and therefore no hedge, but it is disappointing the same has been true of Gold. This may have changed Thursday when the stocks finally seemed to have a pulse. Another reason for some optimism is the stocks are stretched. At its recent low, for example, the Gold Miners ETF (GDX-32) was some 20% below its 50-day. Stretched of course is relative, it's different for different stocks and stretched can always become more stretched. That said, GDX is stretched and we understand there's a little inflation out there. Meanwhile, have we ever mentioned bear markets aren't easy? They get to everything before they're done, they make you just want to walk away. The recent positive Friday to Tuesday sequence seemed a particularly dirty trick come the Wednesday rout. And here we were worried about the Fed when we should have been worried about retail? What the selloff in the big retailers makes clear is the consequences of rising inflation. Wednesday, another 90% day, could've cleared the air, or not.

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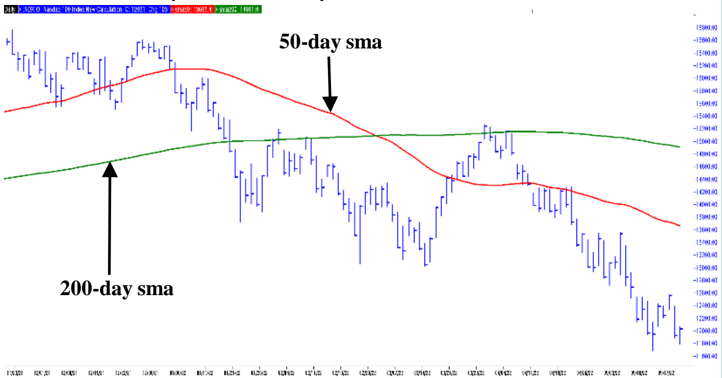
S&P 500 (SPX – 3902) – DAILY
50-day sma
200-day sma


NASDAQ 100 (NDX – 11875) – DAILY
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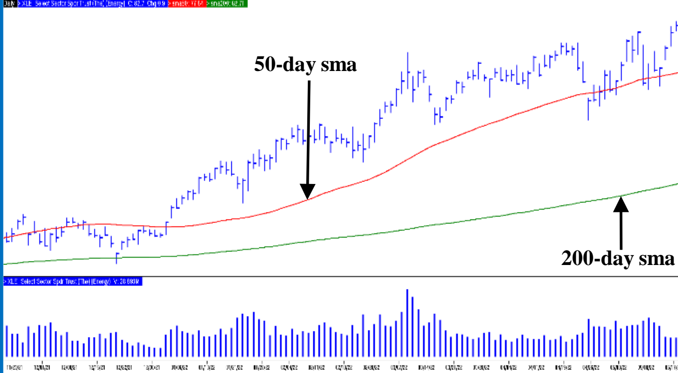
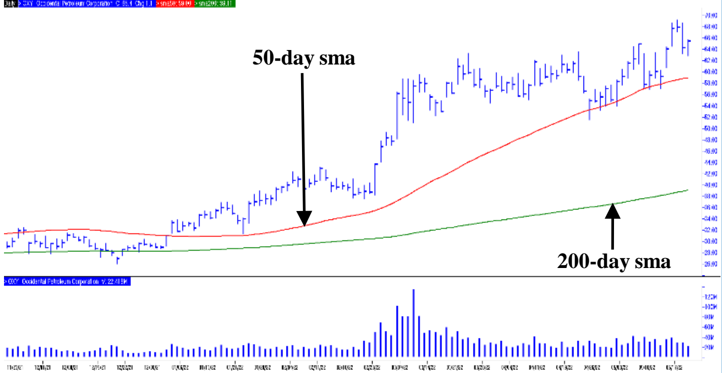
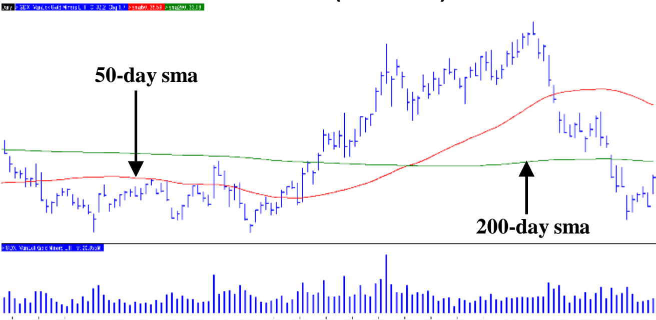
200-day sma


SELECT SECTOR SPDR TRUST - ENERGY (XLE – 81) - DAILY
50-day sma
200-day sma


OCCIDENTAL PETROLEUM CORPORATION (OXY – 64) - DAILY
50-day sma
200-day sma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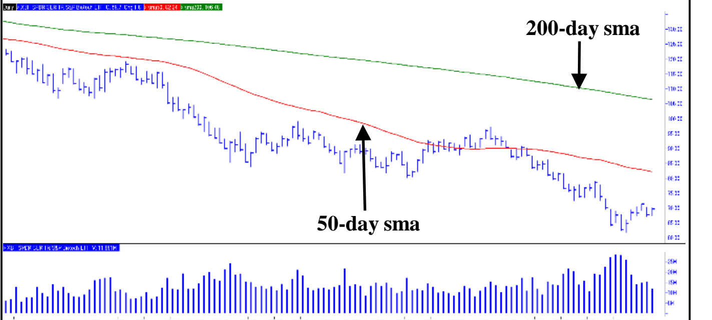
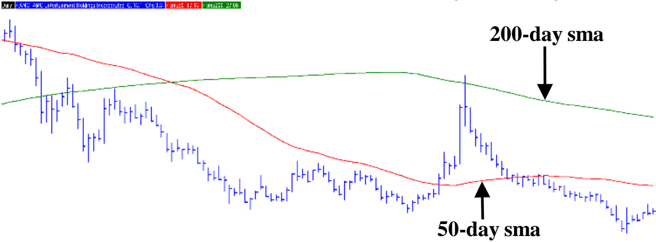
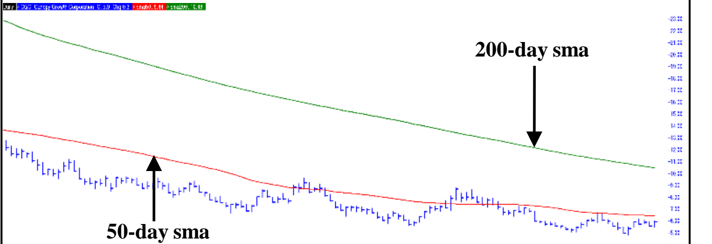
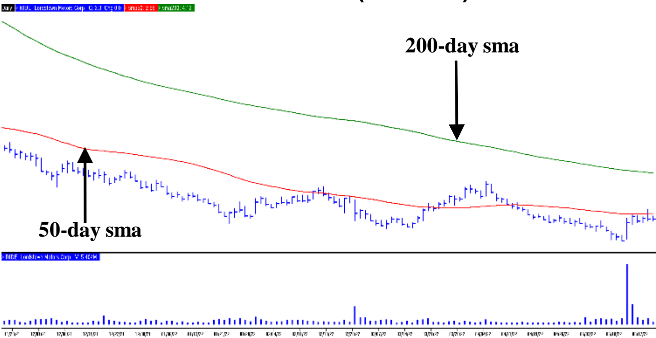
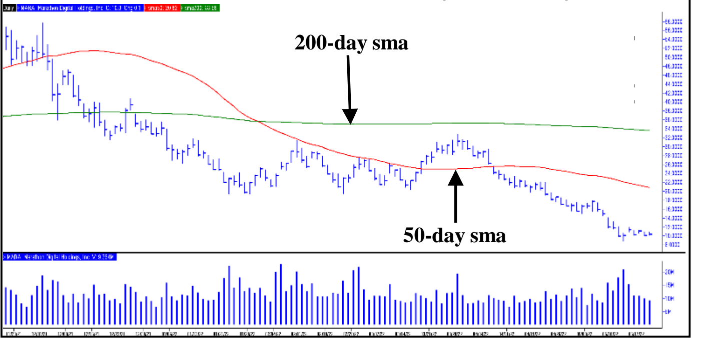
50-day sma
200-day sma


SPDR SER TR S&P BIOTECH ETF (XBI – 69) - DAILY
200-day sma
50-day sma


AMC ENTERTAINMENT HOLDINGS INC. (AMC– 13) - DAILY
200-day sma
50-day sma


CANOPY GROWTH CORPORATION (CGC – 6) - DAILY
200-day sma
50-day sma


LORDSTOWN MOTORS CORP. (RIDE – 2) - DAILY
200-day sma
50-day sma


MARATHON DIGITAL HOLDINGS, INC. (MARA – 10) - DAILY
200-day sma
50-day sma