Wellington Shields

EQUITIES PERSPECTIVE

May 17, 2024
DJIA: 39,869

Be careful what you wish for … the troops have been leading the generals. Everyone complained about the narrow market, but it had its advantages. When it was just the FANG stocks, and just Nvidia (943) and friends, at least you knew what you wanted to buy. FANG and the Semis seem to be coming out of their stall, but there has been almost a surfeit of riches, and hence the good A/D numbers. This has included Staples and Utilities, making some uncomfortable. The belief there is that when staid sectors lead, the rally is not to be trusted. This narrative doesn't hold up historically, especially when like now many areas are participating. And as we've noted, Utilities have become pretty techy of late.

In tennis, when you get your racket back early good things happen. In the stock market, when the average stock leads the stock Averages good things happen. The A/D Index has been sitting at a new high for a while, now the Averages are there as well. Since April 18 there have been only six days on the NYSE with more declining than advancing issues. Most dramatic were the three consecutive days at the start of May which saw advances 3-to-1versus declines. Typically you see numbers like that coming off of a washout sort of low, when stocks are stretched to the downside. That was not the case this time, and all the better. When the S&P has been above its 200-day and there were three consecutive 3-to-1 up days, markets were higher in every case three and six months later, according to SentimenTrader.com.

So, when someone tells you they're very bearish, you in turn might say so you don't own any stocks. They in turn would likely retort, well I am in this or that and so on. That's when you say – so you're not really bearish, if you were, you would not own any or many stocks. If this little discourse were quantifiable, it would be called a passive sentiment indicator. Typically surveys measure people's opinions, not their actions. These have their value, but also suffer from the problem of knowing when to be contrary. In good markets, investors do become bullish, it's normal. It's the extremes that matter. Meanwhile, we find transactional measures more helpful. There is one called the ROBO P/C Ratio, or retail options to buy, to open indicator. In the little 5% correction, this measure showed bottom equivalent bearishness.

Biotechs have had a tough go of it for some time. Hope springs eternal, as most of us remember all of the good times. With some 500 names even in our database, we know once started a run can be a bit contagious. Recently Amgen (315) has turned into an interesting chart, with its own gap a week or so ago. It also has one of those orderly, consistent long-term uptrends, surprising for a Biotech. From early May through the end of July Biotechs also are in a seasonally favorable period. Meanwhile, of course, AI remains the market's focus. Even here, however, interest has spread to supporting names like Quanta Services (264), Vertiv (97), Eaton (330) and even Copper companies like Freeport (52). For what it's worth, we don't think the MEME revival is the worst thing. Speculation in moderation is part of good markets.

Tuesday's PPI could have taken the market lower; Wednesday's CPI need not have taken the market much higher. The rationale seems simple – the market makes the news, and in this case the market wanted to go higher. So what do we expect from here? To go by the history of three consecutive 3-to-1up days, or the five consecutive months higher in the Averages, we should see another six months of on balance higher prices. Important, of course, is that we continue with what got us here, respectable action in the average stock. Stocks peak before the Averages. Meanwhile, we wouldn't lose track of Bitcoin here.

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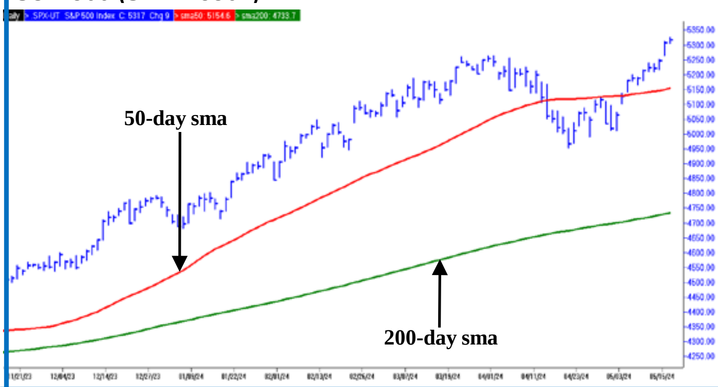
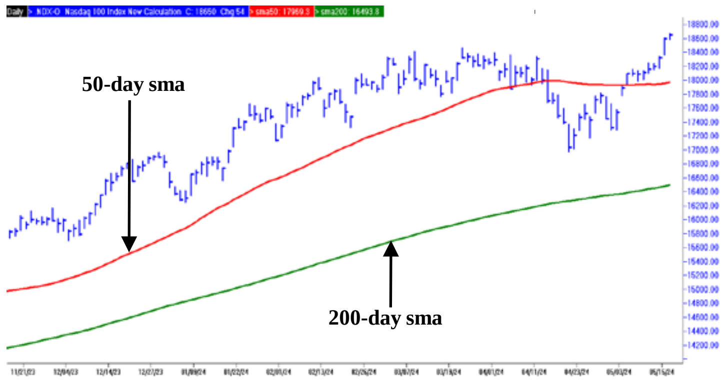
S&P 500 (SPX – 5304) – DAILY

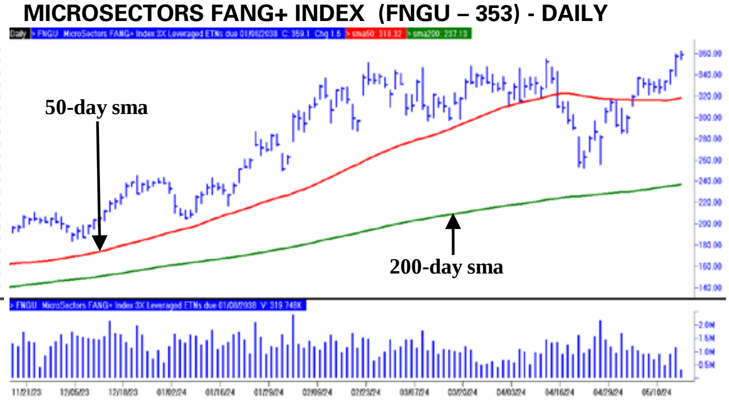


NASDAQ 100 (NDX – 18557) – DAILY



VANECK SEMICONDUCTOR ETF (SMH – 232) - DAILY

MICROSECTORS FANG+ INDEX (FNGU – 353) - DAILY



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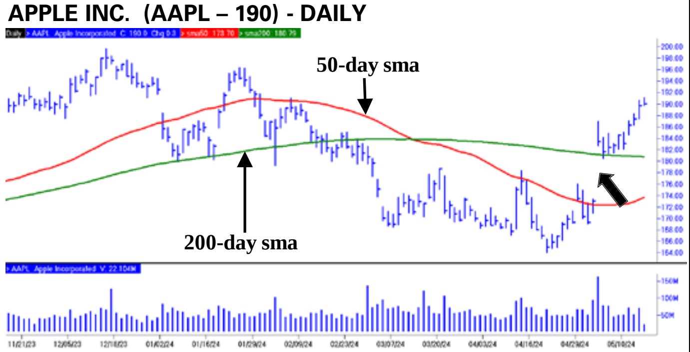
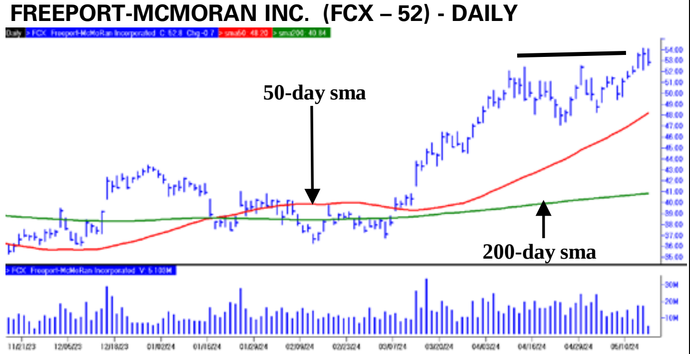


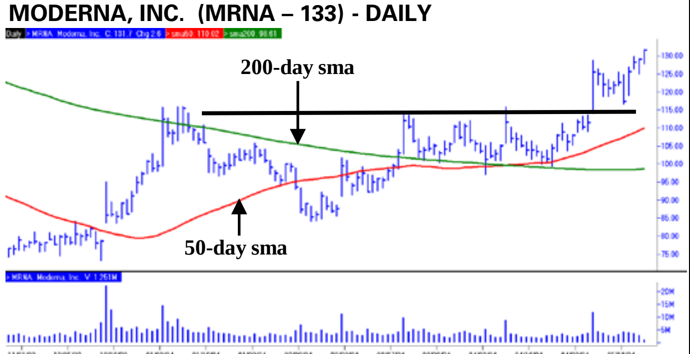
MICRON TECHNOLOGY INC. (MU – 128) - DAILY

FREEPORT-MCMORAN INC. (FCX – 52) - DAILY



CELSIUS HOLDINGS INC. (CELH – 93) - DAILY

MODERNA, INC. (MRNA – 133) - DAILY



AMGEN INC. (AMGN – 315) - DAILY