Wellington Shields

EQUITIES PERSPECTIVE

September 13, 2024
DJIA: 41,096

Overbought, oversold … not over. Last week's start to September was surprisingly poor. For the first time in a month, the S&P was down 2% in a day, the Dow and NAZ both dropped 600 points, and everyone's favorite Tech stock shed more market cap than any one stock in any one day, ever. And this despite a decent technical backdrop. So, what bell rang that first trading day of September? Or was it just that the calendar turned? September gets a bad name in part because of September 11 and the Lehman bankruptcy. For sure the month is no prize, but blaming it for last week seems a stretch.

To put this in perspective, you have to go back to July when the Yen carry trade turned toxic. By early August the selling had left the market oversold, while by late August the recovery had left the market overbought. We don't care for the terms overbought and oversold, which are overused and typically prove meaningless. In this case, however, they serve a purpose. If you put a 10-day moving average on almost anything you have what is called an oscillator, which ranges from stretched up or overbought, to stretched down or oversold. These measures can be as much as 70 - 80% correct at turns, but follow them and you will lose all your money. Bull markets become overbought and stay overbought, leaving you to sell and miss out. Meanwhile, bear markets become oversold and stay oversold, leaving you to buy too soon and really take a hit. The time these oscillators work is perhaps in a market like this, a trading range of sorts, but a trading range within a bull market.

By the end of August, the market once again had become overbought or stretched to the upside, leaving September more excuse than cause of the recent weakness. We could but don't have to become deeply oversold again, and we would be surprised if we do. But even the anticipated rate cut has been out there so long it should have a little impact. Meanwhile, the election and its outcome for stocks looms, particularly in terms of some groups – note the sharp rally in Solar stocks following the debate. Regardless of the election, already there has been a shift in leadership. This is apparent even in the performance of the S&P versus the NAZ, where the recovery in the latter has lagged, at least so far.

Tech isn't going away, it never does. Growth will always do well, and almost by definition it will always command a premium. Then, too, as we're fond of pointing out, growth is a reference to companies not always their stocks. Tech has had a good year; we can see it going trading range for a while. As for everyone's favorite, contrary to what Rod Stewart may say, the first cut is not the deepest. Before collapsing 90% in 2000 Cisco (50) first recovered from three 30% corrections. These big uptrends almost always go away, but they don't do so easily. Wednesday's rally made that clear. Still, while Nvidia (119) has retaken the 50-day, the group has not. Meanwhile, many defensive names, which are not as defensive as you might think, act well.

The Fed, a couple of wars, the election, you might say there's a lot going on, including the mystery that is September. Seems best to stick with the basics, especially since the technical basics seem just fine. The market averages get all the attention, but market analysis would be better served were the attention given to the average stock. When as measured by the A/Ds or stocks above their 200-day, the average stock is performing well – not how markets get in important trouble. It's when the Averages and the average stock diverge, the Averages outperforming, that there are problems. Down days happen. It's the bad up days – up in the Averages but flat or down in the A/Ds that cause problems.

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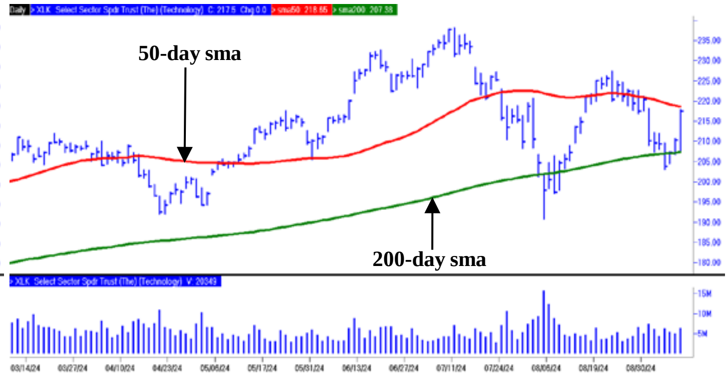
S&P 500 (SPX – 5591) – DAILY

NASDAQ 100 (NDX – 19423) – DAILY

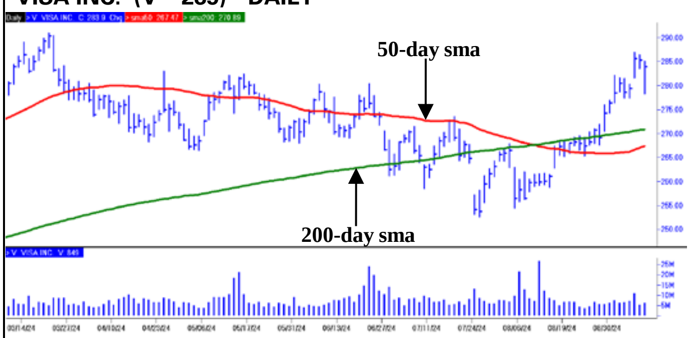
CONSUMER STAPLES SEL SECTOR SPDR (XLP – 83) - DAILY

SELECT SECTOR SPDR TR - TECHNOLOGY (XLK – 219) - DAILY

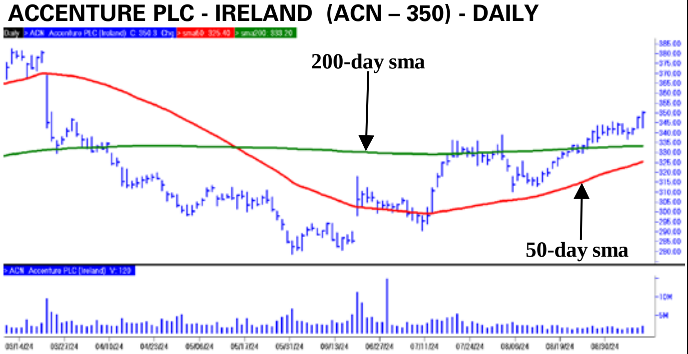


WALMART INC. (WMT – 80) - DAILY

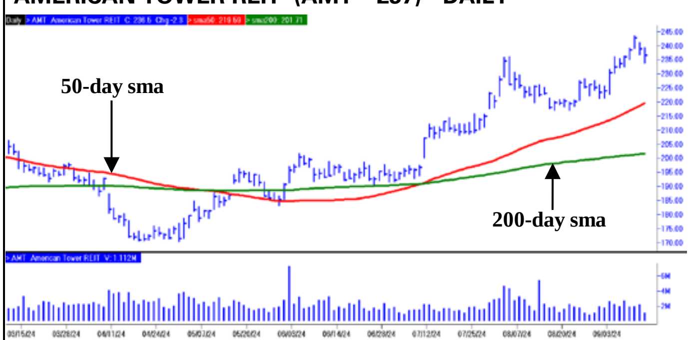
VISA INC. (V – 285) - DAILY



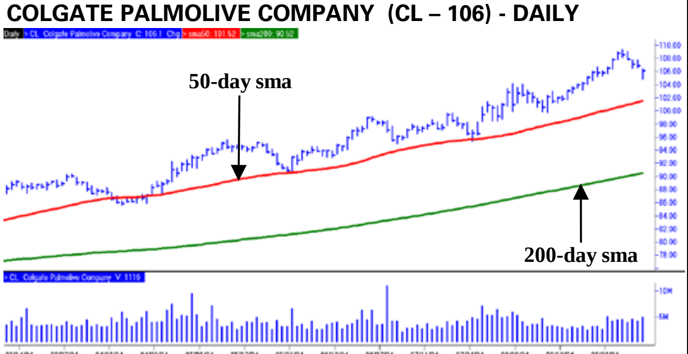
ACCENTURE PLC - IRELAND (ACN – 350) - DAILY



AMERICAN TOWER REIT (AMT – 237) - DAILY



COLGATE PALMOLIVE COMPANY (CL – 106) - DAILY



SOUTHERN COMPANY (SO – 88) - DAILY