Wellington Shields

EQUITIES PERSPECTIVE

December 6, 2024
DJIA: 44,765

Bullish … who isn't? Sure that's a worry but for now we wouldn't get caught up playing contrarian. One of our favorite quips here is that investors are wrong at the extremes, but right in between. The evidence says we're in between. The evidence says higher. Part of the evidence is the time of year. History says higher pretty much between now and early January. Importantly, backing the seasonal pattern is the technical evidence – positive A/Ds, 70% of stocks above their 200-day, and so on. At an anecdotal level, you have to be impressed too with the market's lack of reaction to tariff threats, an excuse to selloff were the market so inclined.

Also pointing to higher prices is the often-maligned VIX or Volatility Index. Since its inception in 1990 the VIX average close is 19.5. There was a significant surge during the summer which saw the Index hit an intraday high of 65, but it since has settled into a range between 14 and 23 as events like the election have kept the number elevated. It closed last week below 14 which, following a drop from above 20, has proven significant, producing positive returns for the S&P. Additionally, there is a measure called the last hour indicator which as the name suggests, measures the S&P only in the final hour of trading. The logic here is that professionals trade/invest in the last hour, making the action important. It was recently positive 9 of 10 sessions, which historically has led to higher prices, according to SentimenTrader.com.

If the MAG 7 were their own market, they apparently would be the world's second largest next only to the US. Certainly impressive, but not necessarily an insight into where they're going. Until very recently the market had been led primarily by financials and secondary stocks, demonstrated by the Russell 2000 or the Equal Weight S&P and NASDAQ 100. This seems to be changing, not necessarily to the detriment of those areas, but certainly to the benefit of much though not all of Tech. Software shares have performed well for some time, aided recently by the gaps higher in Salesforce and ServiceNow. The change is also evident in the MAG 7, which obviously benefits the weighted averages versus the unweighted. Semiconductor shares for the most part still have something to prove.

We came upon Marvel (113) last weekend thanks to football. Watching some of those games we wonder if God didn't create football just as an opportunity to go through the charts. Charts, by the way, are a good example of how mechanical technical analysis can be — support, resistance, trendlines, and so on. Art may be too strong a word, but there is a subtle side to this analysis of supply and demand. In the case of MRVL last weekend, it wasn't the good chart per se, it was the good chart amongst the preponderance of bad charts in that semiconductor group. It's that failure to fail idea. You can also think about this in terms of the market as a whole. Bad news, bad numbers, war, whatever, and the market fails to go down — that tells you something. Or, war in the Middle East and oil fails to go up. In any event, football can be profitable.

Wednesday's was a good market, a good market overall but particularly in the market averages. Yet A/Ds barely turned positive at the close, having been negative most of the day. This clearly seems about what we spoke of last time, the broad groups of energy and financials failing to show. As much as we focus on participation this doesn't seem an issue, rather a reflection of the recent shift to Tech. Shifting rather than losing participation seems the important point here. Tech is a broad group but not quite as homogeneous as Financials. Powell's economic comments on Wednesday were surprisingly positive, something Parker Hannifin (695) and Grainger (1189) have been saying for a while. Friday's jobs number shouldn't be an issue even if bad, but could offer another insight to the market's health.

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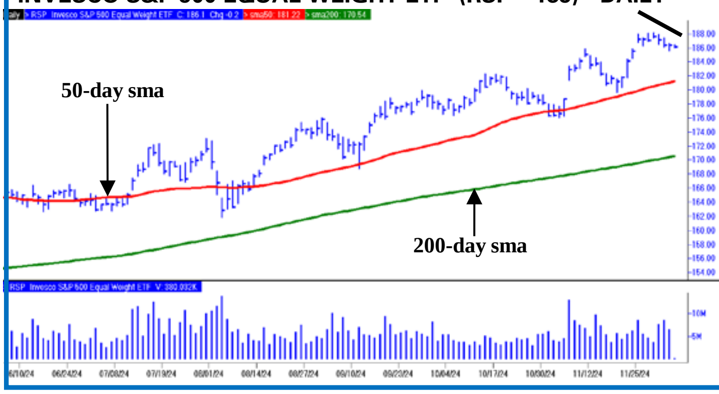
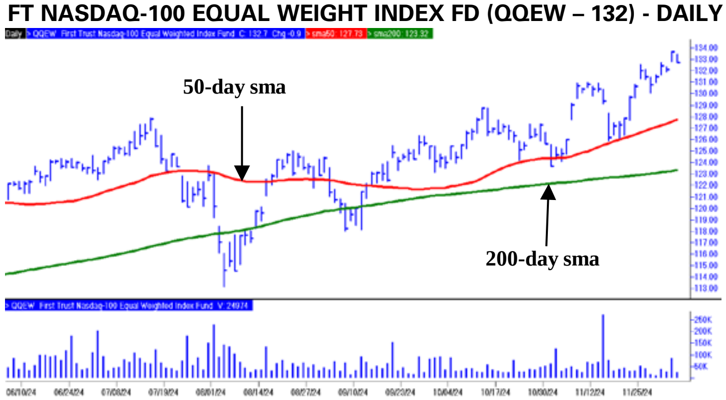
S&P 500 (SPX – 6074) – DAILY

NASDAQ 100 (NDX – 21425) – DAILY

INVESCO S&P 500 EQUAL WEIGHT ETF (RSP – 185) - DAILY



FT NASDAQ-100 EQUAL WEIGHT INDEX FD (QQEW – 132) - DAILY



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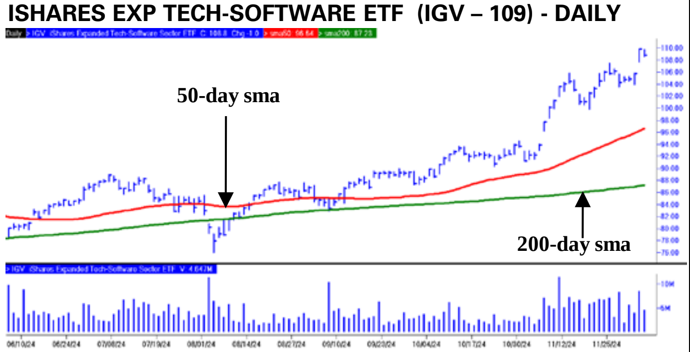
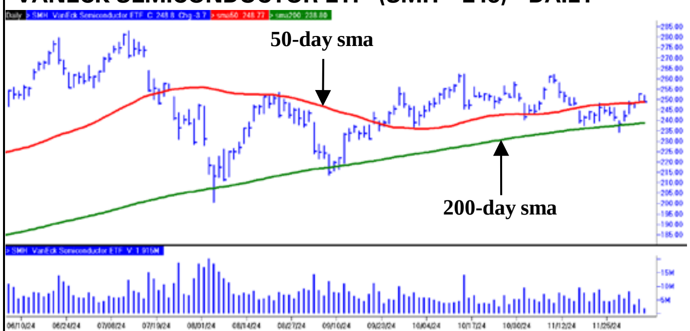
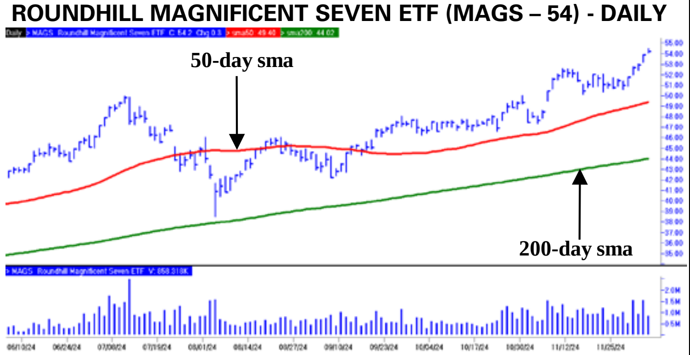


VANECK SEMICONDUCTOR ETF (SMH – 248) - DAILY

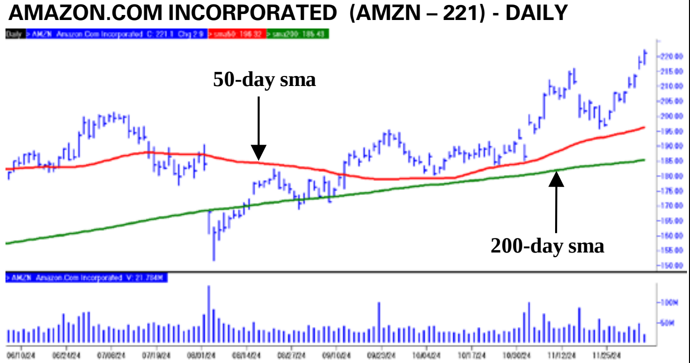


ROUNDHILL MAGNIFICENT SEVEN ETF (MAGS – 54) - DAILY



NETFLIX INC. (NFLX – 918) - DAILY

AMAZON.COM INCORPORATED (AMZN – 221) - DAILY



MARVELL TECHNOLOGY GROUP LTD (MRVL – 113) - DAILY