Wellington Shields

EQUITIES PERSPECTIVE

February 7, 2025
DJIA: 44,747

It's a house divided … but still standing. From the Bible to Abe Lincoln, to basic technical analysis, divided is not a good thing. The divide is most clear in a simple indicator, the percent of stocks above their 200-day average. The idea of 200-days versus the often used 50-days is that it gives you a perspective of an overall rather than short-term trend. Depending on your database, the S&P has trended higher while NYSE stocks above their 200 are close to 50–50. Of course everything is relative, among other things it's all relative to what the large-cap averages are doing. It's a house divided. Another take here is a look at what small and mid-cap stocks are doing, as well as the Equal Weight S&P.

The other important factor in looking at stocks above the 200-day is the direction itself. We have mentioned that there is a rule of sorts that when the number drops below 60% it continues to around 20% before regaining the 60% level. There is a logic here that when markets lose momentum it's not typically regained without a correction to rebuild the liquidity. Obviously talking about rules in the stock market is bit of a stretch. Over the last few weeks the number has been stable, and we've come to think it could simply remain that way. After all, Tech has had a good run and deserves a consolidation. Meanwhile, Financials and Healthcare could very well pick up the slack, leaving the market itself in a technical standoff of sorts.

Adding to the idea of stability rather than correction is that there are strong stocks. Call us old fashion, but when we see stocks like GE (206) and IBM (253) breaking out, we can't help but think how bad can things be? And Disney (112), even the mouse tried to escape Wednesday with only dubious success, but is in any event a much better chart these days. The real lift for the market, however, seems the financials. Visa (347) and Mastercard (567) are hovering around highs, American Express (318) seems poised to do the same. Particularly attractive are the broker-dealers, an ETF here is IAI (158). This runs from exchanges to Fintech, Goldman (658), and so on.

The China charts are much improved, and BABA (100) even more than that. Meanwhile, we have thought to avoid Starbucks (112) because of China, but it's hard to avoid that chart. Among the FANGs, Google (193) has gone from first to worst short-term, but even there is sitting on its 50-day average. By way of overall perspective, we've used a monthly rather than a daily chart of the stock making clear it can withstand this weakness and more, not that we're anticipating that. Speaking of avoiding problems, streaming seems likely to avoid tariffs. Netflix (1016) gapped higher a couple weeks ago, and the stock has a positive history when it comes to following through to this pattern.

Markets are never easy. Then, too, a smart guy once told us this is the best game in town. So here is one of those times that is vaguely positive, that is short-term, against an overall imperfect backdrop. It's amusing to consider that's how markets get you. There's always one more trade to be squeezed out. Then, too, we trade more than invest – we have no qualms being gone tomorrow. For investors, look for long-term growth, something like garbage. Sure we're mocking garbage as growth, but we're not mocking garbage stocks as growth stocks. Just look at those long-term charts – the short-term charts aren't bad either. The three we are familiar with are very similar, Waste Management (226), Waste Connections (189), and Republic Services (222). It's about making money, not so much how you make the money.

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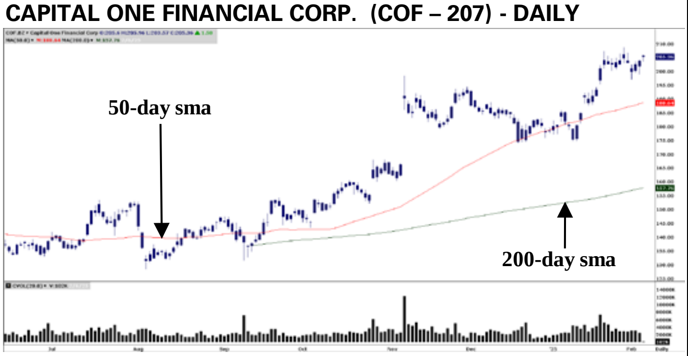
S&P 500 (SPX – 6083) – DAILY

NASDAQ 100 (NDX – 19791) – DAILY

ISHARES CORE S&P SMALL-CAP ETF (IJR – 119) - DAILY

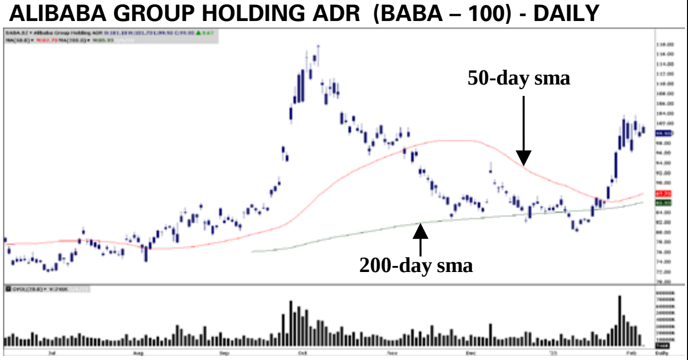
INVESCO S&P 500 EQUAL WEIGHT ETF (RSP – 181) - DAILY

CAPITAL ONE FINANCIAL CORP. (COF – 207) - DAILY



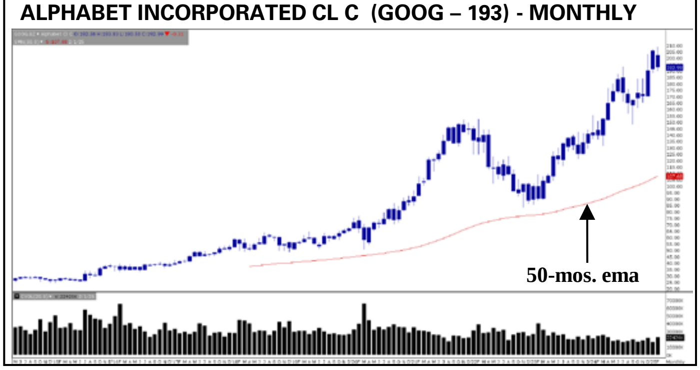
NETFLIX INCORPORATED (NFLX – 1016) - DAILY

ALIBABA GROUP HOLDING ADR (BABA – 100) - DAILY



STARBUCKS CORPORATION (SBUX – 112) - DAILY

ALPHABET INCORPORATED CL C (GOOG – 193) - MONTHLY



PALANTIR TECHNOLOGIES (PLTR – 111) - DAILY