Wellington Shields

EQUITIES PERSPECTIVE

March 21, 2025
DJIA: 41,953

If they don't go down … it's likely they will go up. Actually, that's a bit more profound than it would seem. A 10% correction was in place last Thursday, the technical backdrop for a turn was not. Stocks above their 200-day average on the NYSE had only reached 32%, versus a more significant level of 20%. As we all know, life in the stock market isn't about perfection, sometimes you get what you need. One plus we haven't looked for was a spike in the equity only P/Cs to a level in keeping with that of recent previous turning points. So, will 10% do it, or did 10% start it? In the most simple terms, both the 10% only and 10% plus lows have sharp initial rebounds. The 10% only corrections pretty much don't look back. The 10% plus corrections give up their gains relatively quickly.

If at their start both the good and bad rallies look similar, there's little to distinguish them other than their longevity. However, there may be a couple of things worth noting. Last Thursday's selloff marked a 10% decline in the S&P, as well as a five-month low. It was followed by a 2% rally on Friday, a specific pattern that has in the past led to higher prices. A more subjective positive of late has been the trading in stocks like IBM (243), McDonald's (307), GE (204) and Deere (477). Certainly a diverse group, and not the Tech names like Nvidia (119) where most of the focus lies. The former, however, are important stocks which could lead as Tech continues to struggle. The patterns here are a bit strange in that they spiked up recently only to give up the strength in last week's selloff. Then, too, the strong stocks usually get hit at the end of declines.

Aside from the stocks above, other areas that look attractive include Insurance, companies in our experience that find a way of turning pain, including their own, into gain. Then, too, Insurance stocks are not exactly Nvidia. You're not going to go to your friends bragging about your Insurance stocks – maybe AJ Gallagher (335) if they're Irish. Sometimes you just have to ask yourself, do you want to be cool or do you want to make money? The short-term patterns are fine, and the pull back Wednesday in Progressive (275) leaves them a little less stretched. For those with an investment versus a short-term perspective, the monthly charts are what we call sleep at night patterns. These are the sort of patterns where you not only don't fear weakness, if you have cash you hope for it.

Then there is Gold. Up a lot you might say, but that's what they said about every big move half the way up. In this case, despite Gold's stellar performance, the Gold/SPX ratio is once again just crossing an esoteric moving average which in the past has led to higher prices still. And then there's China, until just recently termed uninvestable – a term worthy of a Business Week cover. The bear market there seems over, Tech is no longer the political bad guy, DeepSeek and instant battery charging have renewed attention. Most important here seems the washout, as per our proposed cover story. And money seems leaking out of the US for now, for better performance elsewhere including China. Tariffs somehow seem more of a worry for us than for them.

As usual, there are a few possible outcomes here. One not much thought of is a decent recovery, but one without Tech. Speaking on behalf of the charts, this seems a real possibility. You can summon the witches of the deep, but we've noticed they don't always respond. Perhaps Nvidia and the rest of Tech have stopped going down, but could fail to respond, at least as leaders. To the fore could be the stocks outlined above, or stranger still, have you looked at Exxon (116) or Chevron (165) lately? As for the market, it's a case of time will tell. Important again is the average stock, daily advancing versus declining issues. The pattern is almost surprisingly good in that there are bad days, but no bad up days – up in the Averages with poor A/Ds. We wouldn't want to see that change.

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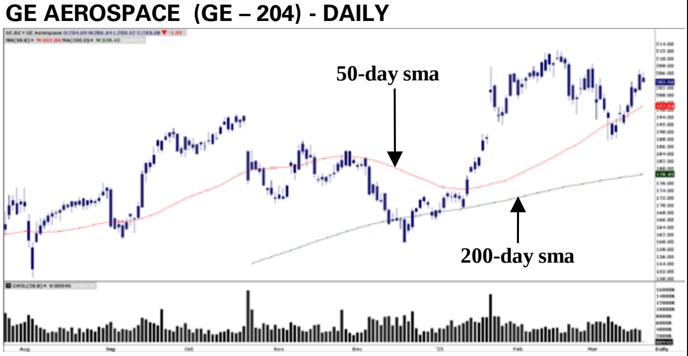
S&P 500 (SPX – 5662) – DAILY

NASDAQ 100 (NDX – 19677) – DAILY

ISHARES US INSURANCE ETF (IAK – 135) - DAILY

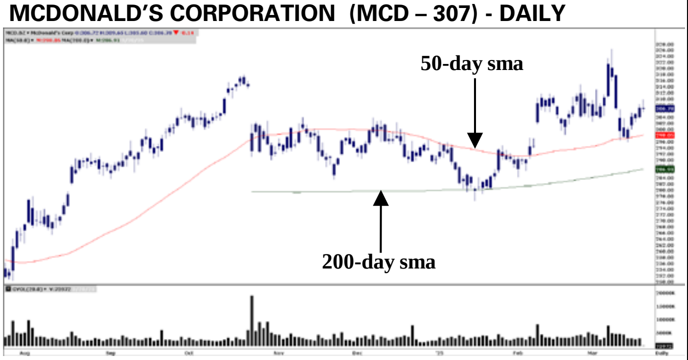
KRANESHARES CSI CHINA INTERNET ETF (KWEB – 36) - DAILY

GE AEROSPACE (GE – 204) - DAILY



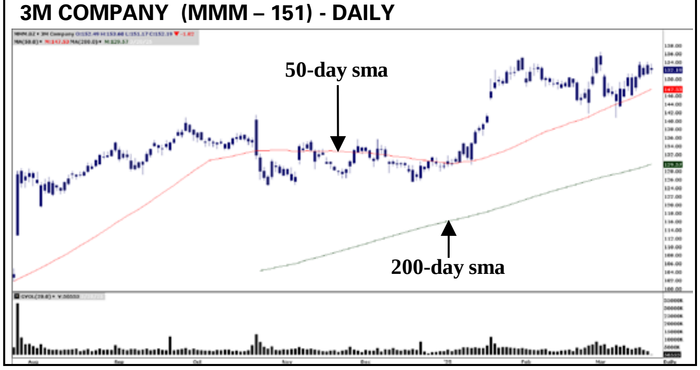
INTERNATIONAL BUSINESS MACHINES (IBM – 243) - DAILY

MCDONALD'S CORPORATION (MCD – 307) - DAILY



DEERE & COMPANY (DE – 477) - DAILY

3M COMPANY (MMM – 151) - DAILY



SPDR GOLD TRUST (GLD – 281) - DAILY