EQUITIES PERSPECTIVE

March 28, 2025
DJIA: 42,299

You can't always get what you want… but if you try, you just might find you get what you need. We don't usually think of the Rolling Stones at a time like this, but we pretty much agree with the concept here. The 10% correction didn't end in much of a washout, so the numbers a week or so ago didn't exactly match those of prior lows. Stocks above their 200-day only fell to 32% versus a preferred level of 20% or less, and the VIX or fear index as it is called, barely budged. Yet there seemed considerable fear. The Investors Intelligence survey recently showed more bears than bulls, the first negative reading in a year. When mildly negative as it is now, annualized returns are quite positive. Then, too, you might say this is a survey of market letter writers and what do they know? We couldn't agree more.

Surveys like investors intelligence never have been our favorite measure of sentiment or investor psychology. Sentiment itself is never a timing tool, but when it comes to sentiment, we prefer what investors or traders are actually doing, rather than just what they say they are saying. In almost any social gathering people might say they are bearish, ask if they own stocks and they invariably say yes. That is not being bearish. Put buying, the Put/Call ratios are useful as a measure of sentiment, though Put buying can be just a hedge. Equity only P/Cs, however, have done an excellent job over the last year. They are now at their highest level over that span. Over time we have noticed some indicators work in some markets and not others, and vice versa. An Interesting point here, everyone looks at the VIX, few at the equity only P/Cs.

They say 5 will get you 10, in this case 10 may yet get you 20. If the 10% drawdown is about to morph into 20%, it should be happening soon. Meanwhile 10% only declines don't look back. If 10% was it, how far can the rally carry? Recognizing turning points is one thing, how far they may go is quite another. Robert Prechter was good at it, the rest of us not so much, not that most don't try. We find the answer is always when things change – a peak in stocks above their 200-day, a low level in the VIX and disappearing put buying. Where this recovery ends is hard to say, when is about the indicators. Part of it, too, of course, is about the average stock, the advance/decline numbers. Even if it is no longer the leadership, you don't want to see Tech falling as it did Wednesday.

Although there was not a washout sort of low, arguably many Techs came close. Typically, at market lows those down the most turn up the most, simply by virtue of a rubber band sort of effect. Tech hasn't fared too well since then, leaving their leadership somewhat in doubt. Leaders or not their participation is important – a house divided, and all that. Meanwhile, what you might call retro tech names like IBM (246) and Cisco (61) have held together well, as have names like McDonald's (313), Fastenal (78) and GE (206). Most find insurance stocks boring, which is to say making money is boring – IAK (137) is the ETF there. Precious metals have good reasons to rally, energy not so much. Don't tell that to Chevron (167) and Exxon (118).

Market lows are made when the selling is out of the way. Wednesday didn't exactly have that look, Thursday was a bit better to damn with faint praise. These are only two days of course, and we're still well above the recent lows. This seems important since if we fall back again to the 10% correction level, the next 10% could come quickly. We are surprised and disappointed that the market continues to react to tariff news. Good markets don't typically keep discounting the same bad news. How the market reacts to the likely bad news this weekend could be insightful. When Russia actually invaded Ukraine, the market rallied, the bad news has been priced in. Much like then, a rally on bad news would be a positive change.

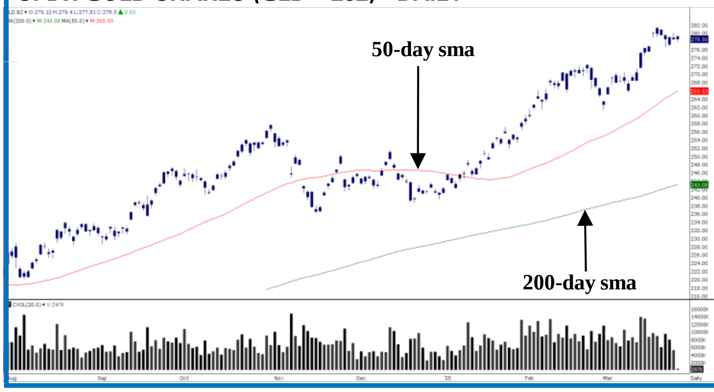
Frank D. Gretz

60 BROAD STREET, 39TH FL NEW YORK, NY 10004 TELEPHONE: (212) 320-3000

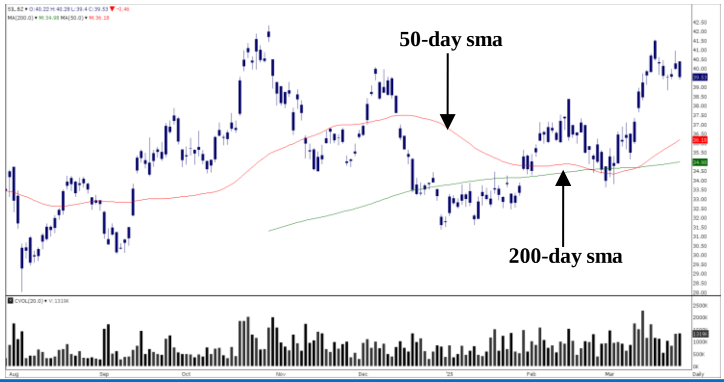
S&P 500 (SPX – 5693) – DAILY

NASDAQ 100 (NDX – 19799) – DAILY

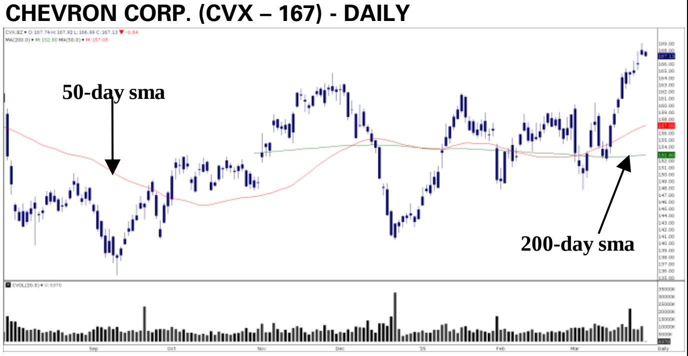
SPDR GOLD SHARES (GLD – 282) - DAILY



GLOBAL X SILVER MINERS ETF (SIL – 40) - DAILY

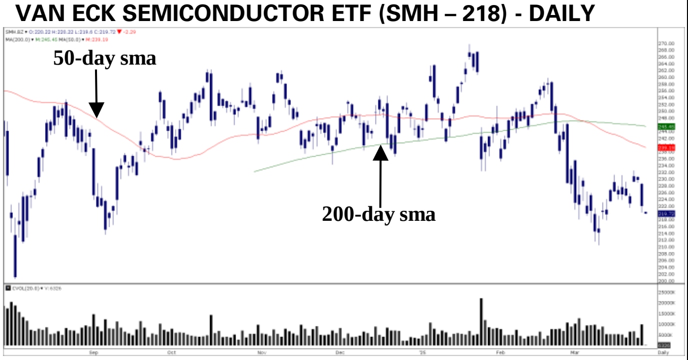


CHEVRON CORP. (CVX – 167) - DAILY



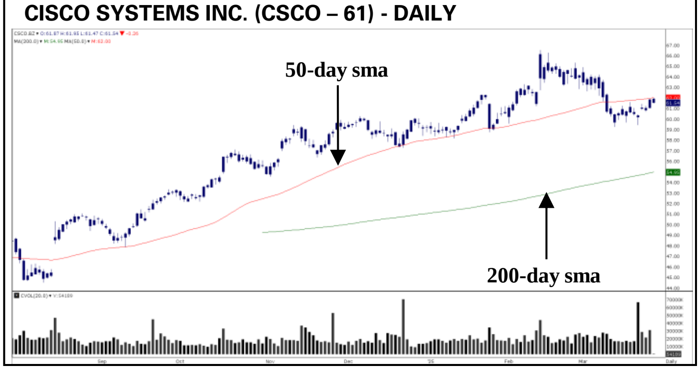
ENERGY SELECT SECTOR SPDR ETF (XLE - 93) - DAILY

VAN ECK SEMICONDUCTOR ETF (SMH – 218) - DAILY



NVIDIA CORP. (NVDA – 111) - DAILY

CISCO SYSTEMS INC. (CSCO – 61) - DAILY



PHILIP MORRIS INTERNATIONAL INC. (PM – 155) - DAILY