

Morning Tack - “Nothing From Nothing”

“Nothing From Nothing” is a song recorded by Billy Preston and the lyrics go like this:

Nothin' from nothin' leaves nothin'

You gotta have somethin' if you wanna be with me

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And that is how we entered this week, with my short-term indicators suggesting the stock market was not going to do much since, on a trading basis, the stock market was out of internal energy. So far, that’s been a pretty good short-term trading call, since the S&P 500 closed last Friday (4-12-19) at 2907.41 and closed yesterday at 2900.45. In yesterday’s *Morning Tack* I wrote:

The Turnaround Tuesday attempt was disappointing especially when an expiration week tends to have upward bias. When the equity markets fell during the final hour yesterday, a “V” shaped rally developed after the S&P 500 traded with a 2900 handle (low of 2900.71). That makes 2900 an important support level today. Participants want to make Wednesday an upward squeeze on expiry call options. The time for the expiry squeeze is down to two days. The market is closed on Friday.

That, “nothing from nothing” view, however, according to my indicators, should change mid-week next week, or the following week, when the stock market’s internal energy is rebuilt, and my expectation is the S&P 500 (SPX/2900.45) trades out to new all-time highs in the weeks ahead. As for yesterday’s action, as stated, “nothing from nothing leaves nothing”, for as the eagle-eyed Lowry’s Research Organization writes:

Today's modest declines in the DJIA and S&P 500 were enough to trigger a traders' sell signal when the 14-day Stochastic crossed below its moving average. The Stochastic remains at an overbought level. Also, the market's internal condition weakened enough to register a conventional short-term sell signal when the Short Term Index fell to 91, completing a six point drop from its most recent high. These sell signals, coupled with short-term overbought readings, suggest near-term caution.

While I consider Lowry’s to be extremely good, I do NOT agree with their “traders’ sell signal.” Rather, I think participants should ready their “buy list” on a trading, and investment, basis. Moreover, if there is a pullback attempt, I do not think it will be much of a pullback. Further, for those talking recession, I would ask – why are the economically sensitive D-J Transports (INDU/10935.60) breaking out to the upside in the charts?

Today is option expiration, as the Turnaround Tuesday attempt was lame and there was no Weird Wednesday. The S&P 500 Index closed at 2900.46, which by my pencil, is an important support level. Because of the holiday weekend, absenteeism will be high. Therefore, market liquidity should decrease significantly. The last hour of expiry is always a crap shoot. This morning, the preopening futures are flat awaiting the Mueller Report.

“Nothin' from nothin' leaves nothin' you gotta have somethin' if you wanna be with me.”

... Billy Preston, 1974 (Song)

U.S. Markets	Close	Net	1 Day % Chg	YTD %
Dow Jones	26449.54	-3.12	-0.01%	13.38
Dow Jones Transports	10,935.60	108.88	1.01%	19.25
Dow Jones Utilities	770.58	-1.11	-0.14%	8.09
S&P 500	2900.45	-6.61	-0.23%	15.70
NASDAQ	7996.08	-4.15	-0.05%	20.51
Russell 2000 (Smallcaps)	1567.60	-15.19	-0.96%	16.24
BKX (Banking)	100.09	-0.03	-0.03%	16.67
BTK (Biotech)	4673.48	-262.24	-5.31%	10.72
XOI (Oil Index)	1343.83	1.15	0.09%	15.94
SOXX (Semiconductor)	1557.08	23.86	1.56%	34.79

Key Commodity Prices	Last	Net	
Crude Oil WTI (NYM \$/bbl) Continuous	63.980	0.24	
Gold (NYM \$/ozt) Continuous	1277.100	0.40	
Silver (NYM \$/ozt) Continuous	14.930	-0.01	
United States Dollar Index	97.297	0.29	
Market Valuation	2018	2019	2020
Consensus S&P 500 EPS	160.77	167.24	186.17
P/E	18.0	17.3	15.6
Treasury Yields	90D	10 Yr	30 Yr
	2.44	2.59	2.99

Source: FactSet. Data as of 4/18/19 7:40 a.m.

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* Columns may not add to 100% due to rounding.

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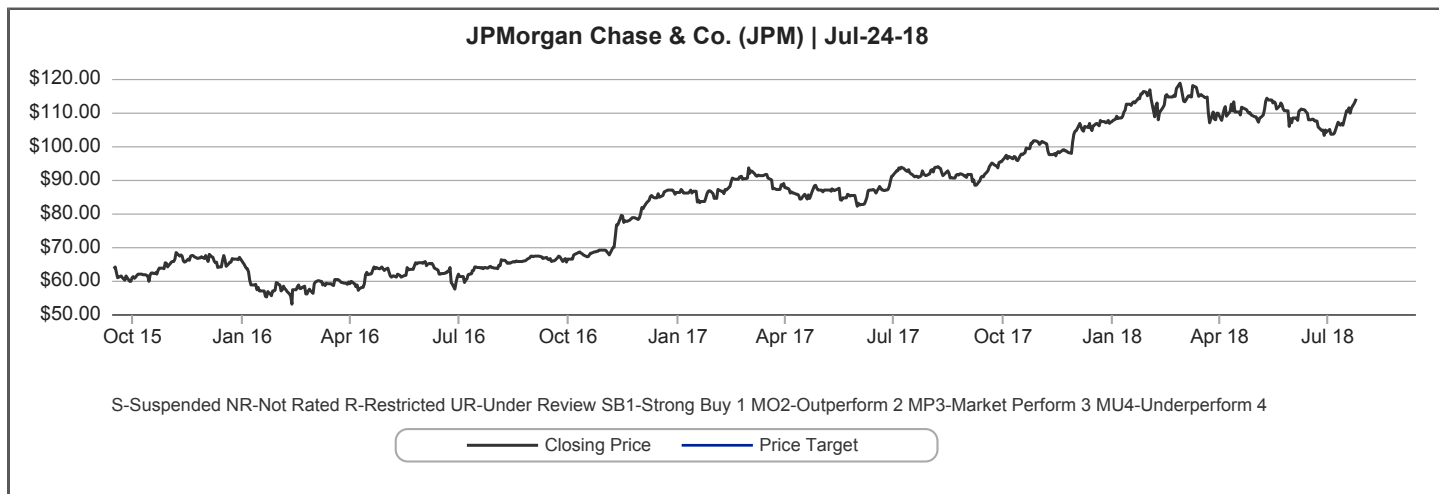
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