TRENDRELATIONSHIPS: US AND CHINESE STOCKS AND THE INTERNET SECTOR

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"Away from baseball, I had a lot of fun, and much of it came in pitting myself against the odds found in the financial world, which are somewhat longer against success than getting a base hit." The Hall of Fame star Ty Cobb, "My Life in Baseball"

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The price movements and levels of various leading "internet-related" stocks attract the attention of and story-telling by assorted stock marketplace strategists and media guides around the globe.

Attached are several charts.

Charts 1-5 constitute America's FAANG army (Apple, Amazon, Facebook, Google, and Netflix). Charts 7-9 cover the large Chinese internet groups labeled BATs (Baidu, Alibaba, and Tencent). Although these bar charts are weekly, the handwritten price and date noted is for the actual trading day.

During the past two and a half years, a review of the dates and lines noted on the graphs of this array of internet companies manifests a similarity "in general" (for the group) as to noteworthy price trend shifts (or accelerations) "around" several critical marketplace turns. These key time points include: mid-2015 high; late August 2015 low; late year 2015 drop-off; first quarter 2016 bottom; dramatic rally after the 11/8/16 election.

Not every stock necessarily closely fits the given key turning point noted, but the majority did. Of course not all travelled the same percentage distance. Nevertheless, there has been some tendency for the group members to "confirm" each other's trend.

Sometimes a given stock, stock sector, or broad marketplace may lead (lag) another (the convergence/divergence issue).

This trend and timing linkage for the FAANGs and BATs provides guidance for anticipating and evaluating movements in broad indices such as the S+P 500 and China's Shanghai Composite. United States and Chinese benchmarks do not always voyage together, but they have frequently done so (see the notes on chart 1).

The internet sector and broad equity stock indices are not necessarily divorced from movements in other stock sector domains (such as "financial" or "retail") and their members. Many scouts closely monitor noteworthy financial corporations such as Goldman Sachs. The GS chart is at page 6 (unlike the other eight graphs, this one is monthly).

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A noteworthy decline in this internet stock group "in general", whenever this happens, probably will occur around the same time. Given the widespread importance and allure of the internet playground (and the "technology" territory), such an important sectoral shift by the FAANGs and BATs likely will develop around the time of one in the S+P 500 and Shanghai Composite (and perhaps for other related broad stock indices of advanced and emerging/developing nations as well). As always, watch for price leads (lags). For the S+P 500, given its glorious long-running bull move, a decline of about ten percent (or more) would worry many observers.

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Keep an eye on rising interest rates for (and other signs of tighter credit in) the United States and China (and in other key nations). What if the United States does not enact tax "reform"? A significant portion of the rally in the overall US stock marketplace since the November 2016 election probably has derived from optimism regarding the passage of a massive tax cut package (particularly for corporations). Yet watch debt trends in America (especially if the so-called reform becomes law) and China. The adventures of the broad real trade-weighted dollar, especially if it breaches important support and resistance levels, also intertwines with and can significantly influence trends in stocks, interest rates, and commodities.

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