

EQUITY MARKETS ARE STRONGER EVERYWHERE...

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April 16, 2008

And we are more and more serious about the notion that the worst has been seen in these markets; that bear markets have ended and that we are to try to err upon the side of bullishness rather than bearishness. We'd be certain of that if the volume on the upside were stronger. That is the only concern we have, but it is a major one.

The more we consider the notion put forth here yesterday (following the suggestion made to us by our old friend, Mr. Mark Fisher of MBF Trading in NY at his seminar earlier this week) that we wish to buy "Necessities" and to be short of "Accessories," the more we like it. This is one of those trading/investment notions that makes enormous common sense to us in light of the present economic environs. It rivals our thesis several years ago as the global economy was beginning to come out of the recession of '00-'02 that we wanted to "own the things that if we dropped them on our foot shall hurt." That thesis simplistically... but very properly... had us buying copper, steel, railroads, oil tankers, bridge builders, et al. We were buying unwanted infrastructure when it was about to become wanted once again. For our clients who remember, we remained steadfast with that notion for several years, to the point of having some clients suggest that we needed to come up with a new thesis, for "Were we not being paid for new ideas?" We argued that we were paid to have winning ideas, and owning the things that if dropped on your foot hurt was a truly winning idea. The "sophisticated" on Wall Street decried the concept, but those who adopted it laughed loudly and walked quietly to the bank.

We sense that "Necessities" vs. "Accessories" has the same order and common sense to it. Just as importantly, the charts are telling us that the notion is right. In a period of economic weakness, "accessories" are cast off or avoided, while "necessities" are embraced. Consumers... as their job prospects weaken; as unemployment rises; as they begin to save more and spend less... will abjure Tiffany's, and Coach, and Harley Davidson, and WholeFoods and will embrace Wall-Mart, and Johnson & Johnson, and Proctor and Gamble. They will abjure Moet Chandon; they will embrace Budweiser. They will toss of Panera Bread; they will instead buy Kellogs's products. Look then at the charts of each, and the "Necessities" are, as we like to say, moving from the lower left to the upper right, while the "Accessories" are moving from the upper left to the lower right.

We have begun quietly switching our own positions held in our trading and retirement accounts to this thesis, and we shall quietly continue to do so in the coming days, weeks and months... so long as the market tells us that we are right in doing so.