

Wednesday, June 22, 2022

- Fed Chair Powell Admits Possibility Of Recession
- TSLA & Select FAANMG Stocks Prop Up Markets
- Healthcare Sector Continues To Outperform
- Energy Stocks Waffle As Oil Prices Rise
- Powell Testimony Continues Tomorrow, Consumer Sentiment Report On Friday

Greetings,

The S&P 500 has gained 2.5% for the week amid an oversold bounce that had this Index poised to reach its 10-day moving average before a late day pullback pushed the S&P lower today.

Price action in the Nasdaq was very similar to last week where mega-cap names such as Tesla (TSLA) and Alphabet (GOOGL) propped this Index up. Biotechs are putting in another week of stellar outperformance as well, which we'll review below.

Both Indexes remain in confirmed downtrends and while we're seeing some bright spots emerge among the downtrends in each of the 11 S&P 500 sectors, prudence has us staying on the sidelines until evidence of a new uptrend has emerged. We'll alert you to any shift in sentiment.

Consistent with last week, we're seeing economically sensitive areas of the market underperform with Energy and Materials down the most while Industrials and Financials are underperforming as well.

Defensive Healthcare, REITs and Utilities are among the top performers.

[DAILY CHART OF S&P 500 INDEX](#)



In the daily chart of the S&P 500 above, the arrows point to previous rallies during downtrending periods in this Index and highlight a tendency to for it to trade just above the 10 or 21-day moving average before trading lower.

With a dearth of economic data, focus this week has been on statements from Fed Chair Powell as he testifies to Congress on the Fed's fight against inflation.

Initial comments regarding the Fed's plan to diligently try and curb any slowing in the economy, gave way to talk of trying not to cause a recession. The result was a late day pullback. Powell continues his testimony tomorrow so we expect volatility to remain.

Price action in the broader markets has been more telling however, as economically sensitive areas that fare poorly during periods of a slowdown are down so far this week.

On the positive side, is a continued move into Healthcare stocks that's being led by a 3.4% gain in Biotechs as well as a 4% gain in Large Pharmaceutical stocks.

In addition to being defensive as Medical drugs are needed regardless of a possible slowdown in the economy, shifts have been taking place within the industry where large Pharma companies are gravitating toward innovations and scientific advances toward a model close to Big Biotechs.

This new specialization is more profitable and one of the strongest candidates at this time is Lilly (LLY) which we've added back to our Watch List. The company has a potential blockbuster obesity drug called Mounjaro which is approved to treat diabetes.

LLY broke back above its 50-day moving average on heavy volume today and a positive MACD crossover would be even more bullish near-term for this stock. In addition, LLY signed a collaborative agreement with oncology company Aveo today which helped boost shares.

On Friday, Consumer Sentiment data for June will be released as will housing starts numbers for May. Both reports are viewed as instrumental in gauging economic growth prospects and we anticipate volatility depending on the numbers.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report