

Wednesday July 13, 2022

- Inflation Accelerates In June After Posting 9.1% Gain
- Software Stocks Hurt By Corporate Downgrades
- Defensive Areas Outperform Markets
- Oil Prices Drop On Global Growth Slowdown
- Producer Price Index (PPI), Weekly Jobless Claims Tomorrow, Retail Sales, Consumer Sentiment & Industrial Production Friday

Greetings!

The S&P 500 is down 2.4% for the week in a move that's put this Index just below its 21-day moving average with its RSI and Stochastics now in negative territory.

The move has us more cautious on the near-term prospects for the markets.

The decline this week occurred amid uncertainty surrounding economic growth and inflation, as well as downgrades to select high-profile companies ahead of 2nd quarter earnings.

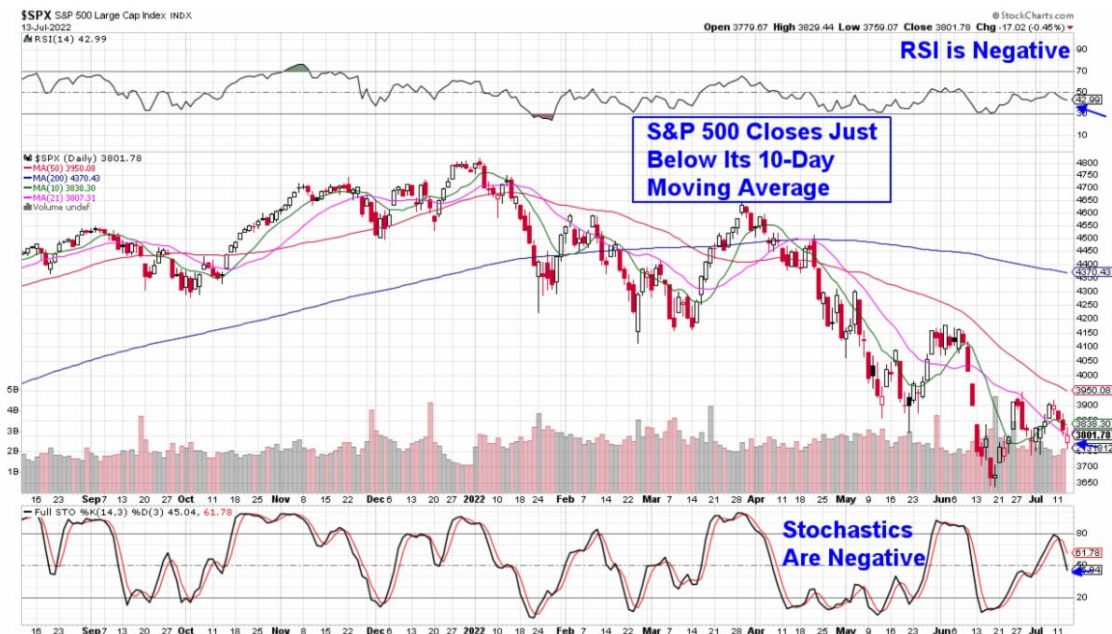
Today's report of much higher than expected inflation was initially jarring for the markets however, investor's came to terms with the news, with each of the Indexes closing the day in the upper portion of their trading ranges.

While this is near-term positive price action, it will be tested as we head into earnings season tomorrow.

The Nasdaq fared a bit worse so far this week with a 3.3% decline after mega-cap FAANMG stocks gave back most - if not all - of last week's gains. A drop in other areas of Technology also pushed this Index lower.

The pullback has put the Nasdaq 3% below its 50-day moving average which this Index had been close to breaking above at the end of last week.

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



With the exception of Healthcare, Defensive areas of the market such as Utilities, Staples and REITs are outperforming as investors seek less risky, higher yielding stocks.

Healthcare stocks are underperforming so far this week with the sector down 2.5% after being the top performer month to date.

Biotechs pulled back in line with the sector with recently added ETF **IBB** now at its 10-day moving average which historically has been an ideal buy point.

Pharmaceutical stocks also pulled back with the exception of Merck (**MRK**) from our List which has gained 1.1% in a move that keeps this stock above its 10-day moving average and in a buy zone.

Ely Lilly (**LLY**) also pulled back in line with the sector however, the MACD on its daily chart has posted a negative crossover. This is not a sell signal but rather a possible indication that the stock may pause for a bit. We'd be a buyer on a move back above its 10-day moving average at \$326.5.

The Technology sector is among the worse performing for the week led lower by a sharp drop in Software stocks which are down 6.3% so far this week. (using IGV).

The decline in Software followed a Wall Street downgrade to Microsoft (**MSFT**) as well as lowered growth guidance from well-known Software stock Servicenow (**NOW**).

Alternative Energy stocks were hit even harder with names such as recently added Enphase (**ENPH**) pulling back to its 200-day moving average before finding support. We would not be a buyer on this pullback but rather, would wait for a break back above its 10-day mav.

The next 2 days may be very telling for the markets amid impactful economic data and earnings reports.

Delta Airlines (**DAL**) reported after the close today and the company reported lower than expected earnings amid increased costs. Lower results due to increased costs is expected to be a theme this earnings season and the market's response tomorrow may set the tone for the coming weeks and months.

The MEM Edge Watch List has been updated with stocks we're keeping a close eye on should the markets turn bullish. You can access this list on the Simpler Trading dashboard where the reports are archived.

Warmly,  
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