

Tuesday, July 19, 2022

Greetings,

Today's rally in the markets puts both the S&P 500 and Nasdaq above their key 50-day moving average with the Stochastics and RSI now in positive territory.

As noted over the weekend, Growth stocks have been trending higher than Value stocks and the move has extended into this week. Consumer Discretionary (XLY), Technology (XLK) and Internet Related (XLC) sectors are now above their 50-day moving averages as well.

This move strengthens the possibility of further near-term upside for select stocks in these areas.

At this time, nimble investors can begin putting some money to work however, stops should be kept tight. The gains this week have been on the heels of better than expected earnings in deeply oversold stocks.

Long lasting market bottoms are marked by the removal of the condition(s) that pushed the markets into a correction and this week we've not received any data that would point to reduced inflation or that would remove fears of a recession.

Instead, it's been mainly strong earnings that have been the driver of this week's rally and while positive earnings reports are often the reason for another leg up in a bull market, they have not marked a market bottom without other characteristics also being in place.

Among areas of Growth on the move this week, Semiconductors have seen the largest gain with a 4.1% rally that's put this group back above its 50-day moving average. (using SOXX)

With that, we're looking to add ON Semiconductor (**ON**) to our Watch List as today's rally pushed the stock back above its 200-day moving average and occurred on relatively high volume. In addition, the MACD is now in positive territory as is the RSI.

We're using the March and May rallies in **ON** as precedence and are looking for a pullback to the 5-day moving average as a buy point.

In tomorrow's Midweek Report, we'll elaborate further however, stocks on our Watch List that are in Discretionary or Technology are all viable candidates to trade higher at this time. Investors should be on the lookout for a pullback to shorter term 5-day moving averages as a buy point.

Of the stocks on our Suggested Holdings List, ETF **IBB** has turned positive with a move back above its 10-day moving average today.

Warmly,  
Mary Ellen McGonagle

Editor, MEM Edge Report