

Wednesday July 20, 2022

- Strong Corporate Results Boost Stocks
- Energy Sector Gains Most Amid Higher Oil Prices
- Growth Stocks Move Further Into Favor
- Defensive Areas Decline
- Weekly Employment Data Tomorrow

Greetings!

The S&P 500 has gained 2.6% in a move that's put this Index back above its 50-day moving average with both the RSI and Stochastics in positive territory. As stated in our Tuesday Alert Report yesterday, we are now positive on the near-term prospects for the markets.

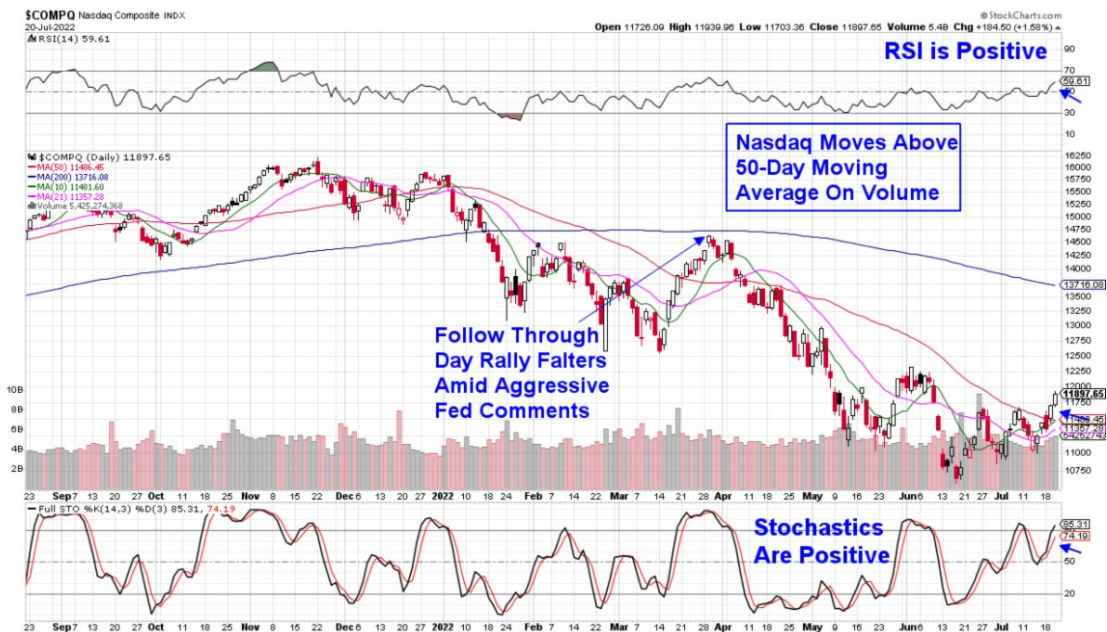
The Nasdaq has fared better with a 3.9% gain that puts this Index back above its 50-day moving average as well. The gain in this Index has been on the highest volume for the month as Semiconductors, Software and select FAANMG stocks are under accumulation.

The gains are occurring following news of better than expected 2nd quarter results from well known companies such as Netflix (**NFLX**), Goldman Sachs (**GS**), United Airlines (**UAL**), Las Vegas Sands (**LVS**), A S M L (**ASML**), and J B Hunt (**JBHT**).

As you can see, this list of companies rallying on positive 2nd quarter results is broad based and the Discretionary (XLY), Technology (XLK), Internet Related (XLC), Industrials (XLI) and Financials (XLF) sectors are each outperforming the broader markets so far this week.

Of those, Technology, Internet and Discretionary sectors have moved back above their 50-day moving average and these Growth areas are now poised to trade higher.

[DAILY CHART OF NASDAQ COMPOSITE](#)



In the daily chart of the Nasdaq above, the top of the last relatively lengthy rally in March is pointed out and on that date, Fed Chair Powell vowed to be as aggressive as needed in raising rates to halt inflation. Rising interest rates and high inflation are not positive for Growth stocks.

Next Wednesday, the Federal Reserve will be announcing their latest rate hike decision following their FOMC meeting. The markets response - depending on the hike percentage - may be very telling into whether the current rally can be sustained.

At this time, the move into Growth stocks is certainly compelling with Semiconductors (**SOXX**), Software (**IGV**) and Retail (**XRT**) groups now back above their 50-day moving averages.

Energy stocks are also on the move with a 6.5% rally so far this week amid an increase in Oil to the \$107 per barrel level. The gain is occurring despite disappointing results from heavyweights Haliburton (HAL) and Baker Hughes (BKR).

As you can see in the chart below, the Energy sector is firming up quite nicely with positive Stochastics following a move back above the 21-day moving average. We're adding Devon Energy (**DVN**) and Occidental (**OXY**) to our Watch List

Alternative Energy stocks are also on the move this week with Enphase (**ENPH**) breaking out of a 14 week base today on above average volume. Using the May into June rally as precedence, ENPH can be purchased on a pullback to its 5-day simple moving average which is at the \$206 level.

Defensive areas such as Healthcare are down for the week. Merck (**MRK**) from our List is being removed following today's drop below its 50-day moving average. The decline followed news that cancer drug Key Keytruda has failed their head and neck cancer trial.

Eli Lilly (**LLY**) can be held as it's trading lower on very low volume and remains within the range of its \$324 base breakout. **LLY** is due to report earnings in 2 weeks.

Today, we're adding Semiconductor stocks Nvidia (**NVDA**) and O N Semiconductor (**ON**) to our Suggested Holdings List as both stocks are advancing above resistance on relatively high volume.

As mentioned yesterday, positions in these and other Growth stocks from our Watch List should be viewed as shorter-term trades at this time.

Of note, A S M L Holding (ASML) which we've been monitoring as they reported results today - traded higher despite slashing their outlook for the remainder of this year.

The Watch List has expanded to include additional Discretionary and Technology stocks and will be posted today.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report

DAILY CHART OF ENERGY SECTOR (XLE)

