

Wednesday August 3, 2022

- Job Openings Drop As Hiring Slows
- Construction Spending Falls Sharply
- Factory Orders Rise 2% In June
- Weekly Jobless Claims Tomorrow & July Unemployment On Friday
- Energy Stocks Worse Performing Amid Oil Supply Increase
- Removing Chevron (CVX) From Our Suggested Holdings List

Greetings!

The S&P 500 has gained 0.6% for the week in a move that puts this Index closer to moving above possible resistance at 4170. With the RSI and Stochastics in positive territory, a move above this level would provide us with more conviction regarding the near-term uptrend that's in place.

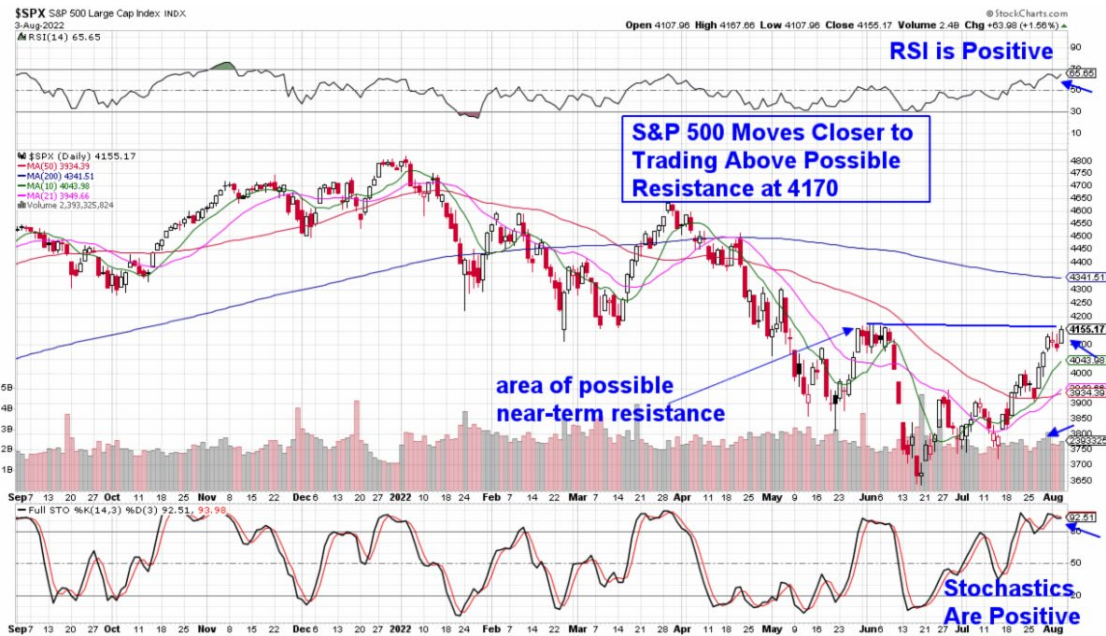
On the weekly chart, the momentum indicators have turned positive and this improves the intermediate term outlook for the S&P 500. Friday's unemployment data is the next hurdle for the markets and depending on the results, we may see a shift in this outlook.

The Nasdaq has fared quite a bit better with a 2.2% gain that's been led by a outperformance in both Semiconductor and Software stocks. Most of the mega-cap FAANMG stocks have also gained more than the broader markets.

Other price action is also driving the Nasdaq higher with many deeply oversold pandemic related stocks on the move. This would include Peloton (PLTN), Zoom (ZM), Docusign (DOCU) and Paypal (PYPL) to name a few.

Unlike the high quality stocks on our Suggested Holdings List, the gains in most of these stocks is on light volume which many indicate bottom fishing as opposed to sustainable accumulation.

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



Earnings season is continuing to drive price action in the markets and as reviewed in Sunday's report, gains in Biotech firms reporting this week was expected to impact the ETF (**IBB**) from our Suggested Holdings List.

Positive results pushed stocks in this group higher so that **IBB** closed today above its early July high of \$127 and into a strong buy zone as the rally occurred on heavy volume.

Semiconductor stocks are also trading higher amid strong results from select companies. **ON** Semiconductor (**ON**) from our List reported earnings that were 113% above last year and the stock recovered from an initial pullback so that **ON** is now poised for a 7-month base breakout at \$71. A pullback to the \$66 range would be an ideal buy point for **ON**.

Lam Research (**LRCX**) is also in a strong buy zone with this week's 5% rally occurring on heavy volume. The stock can be bought on a pullback to the \$503 level - which is its 5-day mav. Of note, **LRCX**'s next area of possible upside resistance is its 200-day moving average which is 4% away.

Nvidia (**NVDA**) is also in a confirmed uptrend ahead of the release of their earnings later this month. The stock can be bought in the \$184 range and is in a strong buy zone.

Software stocks are on the move following positive earnings results as well, with many well-known names in this group rallying ahead of their reports tomorrow in response.

A look at the daily chart of Intuit (**INTU**) from our List shows that a pullback to the 10-day moving average is an ideal buy point. The stock is in a confirmed uptrend and can be bought on any pullback.

Mega-cap stocks Apple (**AAPL**) and Amazon (**AMZN**) are among the FAANMG outperformers this week and both stocks remain in strong uptrends following last week's positive earnings reports. We'd be a buyer on any pullback to their 5-day moving averages.

Enphase (**ENPH**) closed today in the upper reaches of its trading range for today on above average volume. The stock is in a strong buy zone and I expect it to trade higher near-term.

Energy stocks are down over 5% this week due to a drop in oil prices to the \$96 level. The decline

occurred amid an increase in output that was decided at today's OPEC meeting. In addition, companies that are reporting stellar earnings reports such as Devon (DVN) from our Watch List, are not being bought.

These dynamics have us removing Chevron (**CVX**) from our Suggested Holdings List

Employment data over the next 2 days will be closely watched as will quarterly earnings results from a number of companies. At this time, Growth stocks are continuing to outperform amid generally positive quarterly results.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report