

Monday August 22, 2022

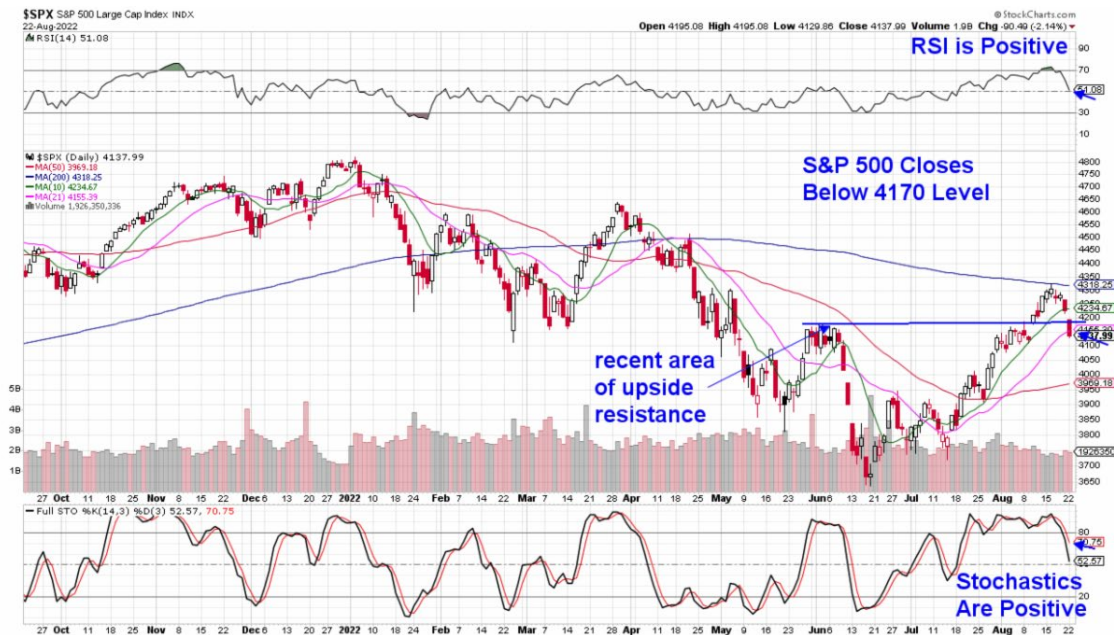
- S&P 500 Closes Below 4170 Level
- 10-Year Treasury Bond Yield Hits 3%
- All Sectors Close Down For The Day
- Volatility Jumps On Volume
- Removing NVDA and INTU From Suggested Holdings List

The S&P pulled back 2% today in a move that puts this Index below the 4170 level. As you may recall, this was an area of upside resistance that this Index was able to break above in early August which was a positive. Today's move back below this area is a negative.

At this time the RSI and Stochastics remain in positive territory which indicates signals that are mixed however, a move below 50 for these momentum indicators coupled with the S&P 500 remaining below 4170 would be a near-term sell signal.

The Nasdaq fared worse with a 2.6% decline led by underperformance in Semiconductors, Software and Retail stocks. Most of the heavyweight FAANMG stocks fell further than the Nasdaq as well with Apple (**AAPL**) and Tesla (**TSLA**) being the exceptions.

### DAILY CHART OF S&P 500 INDEX



The volatility index (\$VIX) also known as the fear index, moved up to the 24.5 level before pulling back. At its high on the day, \$VIX traded a bit above its 200 day moving average and a close above this key mav would be quite negative. Historically, a rising \$VIX correlates with a declining market.

Today's decline in Semiconductor stocks occurred on relatively high volume and pushed the RSI into

negative territory. (using SOXX - see chart below). As you'll see in the chart below, a negative RSI on the daily chart has preceded each of the downtrends that have occurred this year.

Of the Semis on our List, Nvidia (**NVDA**) closed at its 50-day moving average ahead of the release of their earnings tomorrow. We're removing NVDA from our List as its RSI is now in negative territory.

O N Semi (**ON**) closed just below its 10-day moving average with its momentum indicators in positive territory. At this time, the stock can be held however, securing at least some profits would be prudent.

The Software group is also flashing negative signals with the RSI now below 50 (using IGV - see chart below).

Among names on our List, Intuit (**INTU**) has a negative RSI as the stock pulls back ahead of the release of their earnings tomorrow while both Setm (**STEM**) and Paycom (**PAYC**) found support at their 21-day mavs with their RSI in positive territory.

At least some profit taking would be prudent for PAYC and **STEM** as well while **INTU** should be sold. We're removing INTU from our Suggested Holdings List.

With the exception of Amazon (**AMZN**), the remaining stocks on our List relatively outperformed and can be held.

As the week progresses, we anticipate volatility ahead of GDP numbers on Thursday as well as Fed Chair Powell's comments that day from the Economic Symposium.

We'll elaborate further on the state of the broader markets in our midweek report on Wednesday. At this time, a negative RSI and Stochastics signal on a daily chart of the S&P 500 would end the near-term uptrend if coupled with this Index remaining below the 4170 level.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report

DAILY CHART OF SEMICONDUCTOR ETF (SOXX)



## DAILY CHART OF TECH-SOFTWARE ETF (IGV)

