



THE MEM EDGE

Midweek Report

Wednesday, August, 31, 2022

- S&P 500 Remains Below Key Support
- Job Openings Increase and Consumer Confidence Rises
- N.Y. Fed President Suggests 3.5% Fed Funds Rate Well Into 2023
- Brent Crude Drops Below \$100 Per Barrel
- Weekly Jobless Claims Tomorrow & August Unemployment Data On Friday
- Paycom (PAYC) Being Removed from our Suggested Holdings List

Greetings!

The S&P 500 is down 2.5% for the week in a move that puts this Index further below its key 50-day moving average. As mentioned in our Alert Report yesterday, the next area of downside support is the July low in price which is 3721, and 5.9% below today's close.

The Nasdaq has lost 2.7% so far this week and this Index is also trending lower below its 50-day moving average with its July low as being the next area of possible support.

As noted in yesterday's report, a strong job openings report spurred Tuesday's decline as a currently vibrant jobs market is a primary concern of the Federal Reserve as this will keep inflation elevated.

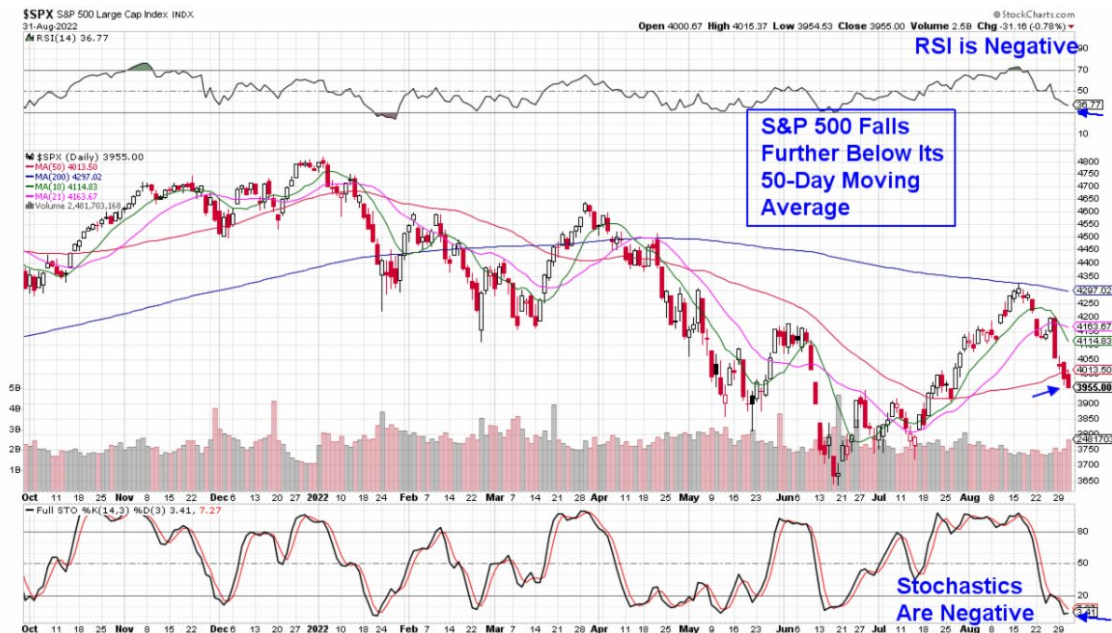
Reminders from several Fed officials that they expect interest rates to remain relatively elevated into next year also pushed stocks lower.



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DAILY CHART OF S&P 500 INDEX



Interest rates continue to trend higher this week with the yield on the 10-year Treasury now above the closely watch 3% level which historically has a negative impact on Growth stocks.

The current period is no exception, with the Semiconductor and Software groups now below their 50-day moving average after losses this week. (using SOXX & IGV).

In addition, a majority of the heavyweight FAANMG stocks are trading lower than the markets this week and as stated in the past, price action in these stocks is very telling regarding investor's sentiment about Growth stocks. Recently removed Apple (AAPL) is experiencing relatively high volume as it approaches its 50-day moving average following a 4% loss so far this week.

The Volatility Index is another area we're paying close attention to as it remains above its 200-day moving average which historically, is a negative for the broader markets. Also known as the fear index, \$VIX is now at 26 which indicates elevated uncertainty among investors.



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Among the 11 sectors in the S&P 500, more defensive areas are down less than the markets with Staples and Utilities off by 1.8%. That said, their group charts have negative momentum indicators and the Staples sector is now trading below its 50-day moving average. (using XLP and XLU). A move into these safer haven areas would not be prudent at this time.

Of the stocks on our Suggested Holdings List, Stem Inc. (**STEM**) had a bullish day today with a 7% gain on volume that pushed the stock above its 10-day moving average and into a buy zone. The move followed a positive earnings report from a Netherland based EV company and the news gave other Alternative Energy stocks a boost today as well.

Sunpower (**SPWR**) was able to avert a move of its RSI into negative territory which we've been on the lookout for as a possible sell signal while Enphase (ENPH) remains above support with its RSI and MACD in positive territory and is down less than 1% for the week. Both stocks can be held.

Among EV related stocks on our List O N Semiconductor (**ON**) has also seen its RSI remain in positive territory and the stock can be held. Given its group affiliation however, partial profit taking in ON would be prudent.

Today's pullback in Paycom (**PAYC**) was on relatively high volume and the move has pushed the RSI into negative territory. We're removing PAYC from our Suggested Holdings List.

Energy stocks are down further than the markets this week as the price of oil has slipped below \$100 per barrel due to China's renewal of their lockdown measures due to Covid.

The sector chart for Energy (XLE) shows that the MACD is poised for a negative crossover which is similar to the early March as well as the early June periods. Of the two periods, the June crossover preceded a lengthy pullback which was signaled by a negative RSI crossover. (see chart below)

We'll continue to monitor this group and would not be a buyer on the pullback in **OXY** at this time. A move above its 10-day coupled with more positive price action in the group would put the stock into a buy zone.

Over the next two days, additional employment data will be released with Friday's unemployment report expected to have the most impact.



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At this time, the broader markets are in a downtrend and we are negative on the near-term prospects.

This weekend's report will be released on Monday and in it, I'll discuss historical price action in September as well as provide further details regarding price action among sectors and those names on our Suggested Holdings List.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report

DAILY CHART OF ENERGY SECTOR (XLE)

