



THE MEM EDGE

Midweek Report

Wednesday September 14, 2022

- Core CPI For August Posts Double What Was Expected
- Federal Reserve Meets Next Week To Decide Rate Hike
- Producer Prices Fall In August But Core Rate Remains High
- August Retail Sales Tomorrow & Consumer Sentiment On Friday

Greetings!

The S&P 500 is down 3.4% for the week in a move that's pushed this Index to the 3900 level which is near-term support. With the RSI and Stochastics in negative territory, the near-term trend for the markets is negative.

The Nasdaq is down 4.1% for the week led by a sharp drop in Semiconductor and Software stocks as well as most of the FAANMG names. The decline has pushed the Nasdaq below each of its moving average with the next area of downside support being the early September low. A break below that would put the July and then June lows as the next possible support.

DAILY CHART OF S&P 500 COMPOSITE





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Last week's oversold bounce in the markets continued with a rally into Monday before Tuesday's CPI report pushed stocks sharply lower.

While lower gas prices helped the overall August CPI number, core consumer prices came in almost double what was expected due to the high cost of food, rent and medical care. The news increased fears of a higher rate hike at next month's Fed meeting which in turn, pushed Growth stocks sharply lower.

Within Technology, Semiconductor stocks were the hardest hit with a 4.7% drop for the week led by double digit declines in bellwether names Nvidia (NVDA), Micron (MU) and Advanced Micro (AMD).

The selloff has pushed the Semi group back below all areas of possible near-term support with its July lows being the next and only area of potential support. Semiconductor chips are a needed product in many areas of the economy and deterioration in this area points to a negative outlook for the economy.

In positive news, Alternative Energy Equipment stocks fared well for the week as the group continues to show strength in a negatively biased market. As suggested in our Sunday Report, Enphase (**ENPH**) was in a strong buy zone after last week's pullback to its 10-day moving average. The stock has rallied 5% for the week and remains in a buy zone. Any pullback to the \$302 level would be an ideal buy point.

First Solar (**FSLR**) is flat for the week as it continues to find support at its 10-day moving average. A move above its recent high of \$140 would signal a strong possibility of a move even higher.

Electric vehicle manufacturer Tesla (**TSLA**) has gained 1% for the week after a rally today that followed the release of a 5-year cost cutting program as well as plans to possibly build their own lithium refining facility. TSLA is in a strong buy zone after today's positive MACD crossover on its daily chart.

Elsewhere on our list, Chipotle (**CMG**) pulled back from a new near-term high in price on Monday. The gains are on the heels of a major Wall Street price target upgrade to \$2000. CMG is in a strong buy zone following a pullback to its 5-day moving average.

As has been the situation of late, Interest Rates and a higher Dollar are driving price action in the markets as this week, the yield on the 10-year Treasury is now at 3.4% which is drawing global investors and hence driving the dollar higher.



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Higher interest rates are a negative for Growth stocks as it reduces the value of further earnings while a higher dollar lowers the growth outlook for multinational firms with overseas clients. These conditions will continue to create headwinds as long as they remain.

Given Tuesday's sharp drop in the markets, we may see more of a bounce into the remainder of the week, similar to today. However, at this time we would not be a buyer on any bounce as next week's release of the Federal Reserve's rate decision looms large.

Instead, we'll continue to refine our Watch List and remain on the lookout for signs that the broader markets are in an uptrend. This would include a move back above at least the 50-day moving average for the S&P 500 with a positive RSI and MACD on the daily chart.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report