



# THE MEM EDGE

*Midweek Report*

Wednesday, September 28, 2022

- S&P 500 Trades Higher After Holding Support At June Lows
- Consumer Confidence Hits 5 Month High Amid Falling Gas Prices
- Weekly Jobless Claims Thursday & PCE Price Index Report On Friday

Greetings,

The S&P 500 has gained 0.7% for the week in a move that's pushed this Index back above its 5-day moving average which had been acting as upside resistance. The RSI is turning upward from an oversold position, but remains in negative territory as do the Stochastics. Our near-term stance for the markets remains negative.

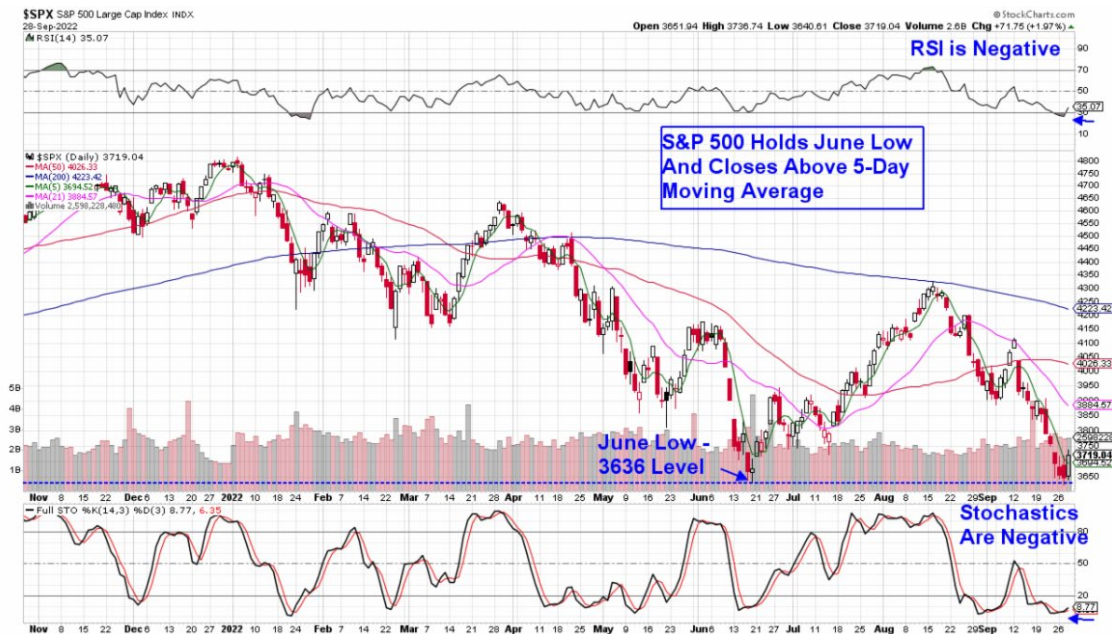
The Nasdaq has posted a 1.7% gain led by a 39% gain in Biogen (BIIB) following news of positive results from their Alzheimers drug. Outperformance in Netflix (NFLX), Tesla (TSLA) and Amazon (AMZN) also helped this Index as did a rally in select Retail and Software stocks.



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## DAILY CHART OF S&P 500 INDEX



As cited in the summary of our Sunday Report, a hold of support at the June low of 3636 could initiate a sharp rally should we see any signs that interest rates have peaked. In addition, we were on the lookout for the Volatility Index to reach 35; as when this occurred earlier this year, the markets staged a short term rally.

Today's news that the UK's central bank initiated a bond buying program to stem a possible pension collapse, pushed yields lower there as well as in the U.S. The yield on the 10-year US Treasury dropped to 3.7% after topping 4% earlier in the week.

Does this mean that interest rates have peaked? Certainly not, but it is a move in the right direction and today's drop in rates was enough to spark buying. As for the Volatility Index (VIX), we hit 35 earlier today before a pullback into the close.

While we may well see the markets stage a continuation rally, at this time we expect it to be short lived. A move of the momentum indicators (RSI and Stochastics) into positive territory would have us reconsidering.



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Energy stocks were the top performers today due to the potential impact of Hurricane Ian as well as news of a drop in Oil inventory. Also of note is the fact that the group was oversold after last week's 10% decline. (XLE)

Other oversold areas of the market also gained the most today with Retail stocks gaining 3% for the week after falling almost 7% last week. (using XRT)

A 3.7% gain in Amazon (AMZN) also boosted this group after the company announced a number of new smart devices. This was on the heels of AMZN's news earlier this week that they'll be staging a 2nd Prime Day in October. AMZN remains in a downtrend but is being added to our Watch List as the RSI on the daily chart is trending upward.

The Technology sector has posted a modest 0.4% gain for the week despite a 2.6% rally in Software stocks (IGV). The daily chart for this sector as well as the Software group now have an RSI that's trending upward from an oversold position that's similar to late January. As you may recall, the rally out of this position was very short lived in January.

Select Renewable Energy stocks posted gains this week with First Solar (**FSLR**) breaking back above its moving averages and into a buy zone. Given broader market conditions, any new positions should be light and tight stops should be in place.

On the economic data front, Weekly Employment numbers will be released tomorrow with the more impactful personal consumption expenditures (PCE) report being released on Friday. This is a closely watch gauge of inflation for the Federal Reserve as it excluded the more volatile food and energy prices.

Analysts are expecting an increase in the core PCE Index of 0.5% for August and we expect that any number below this to spark a rally.

Today, I'll be adding stocks to our Watch List that may benefit from a continuation of what is currently being viewed as an oversold rally.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report