



THE MEM EDGE

Midweek Report

Monday October 3, 2022

- Manufacturing Activity Drops To Lowest Level Since Spring 2020
- Russia Announces Illegal Annexation Of Ukrainian Regions
- Interest Rates Pull Back And Volatility Drops
- S&P 500 Closes Above 10-Day Moving Average
- Energy Stocks Post Strong Gains Amid Possible Oil Supply Cut
- Monthly Employment Data Report On Friday

Greetings!

The S&P 500 rallied 2.6% today in a move that's pushed this Index back above its June lows as well as its 10-day moving average. With the RSI and Stochastics in negative territory, we remain negative on the near term prospects for the markets.

At this time, we remain in a bear market and any rally attempts are anticipated to be short lived.

In the chart below, I've highlighted the position of the S&P 500 prior to a 2-week rally in mid-March. As you'll see, the RSI and Stochastics were in positive territory while the Index broke above its 21-day moving average on volume.

Today's rally came with volume that was slightly above average however, the RSI and Stochastics remain in negative territory.

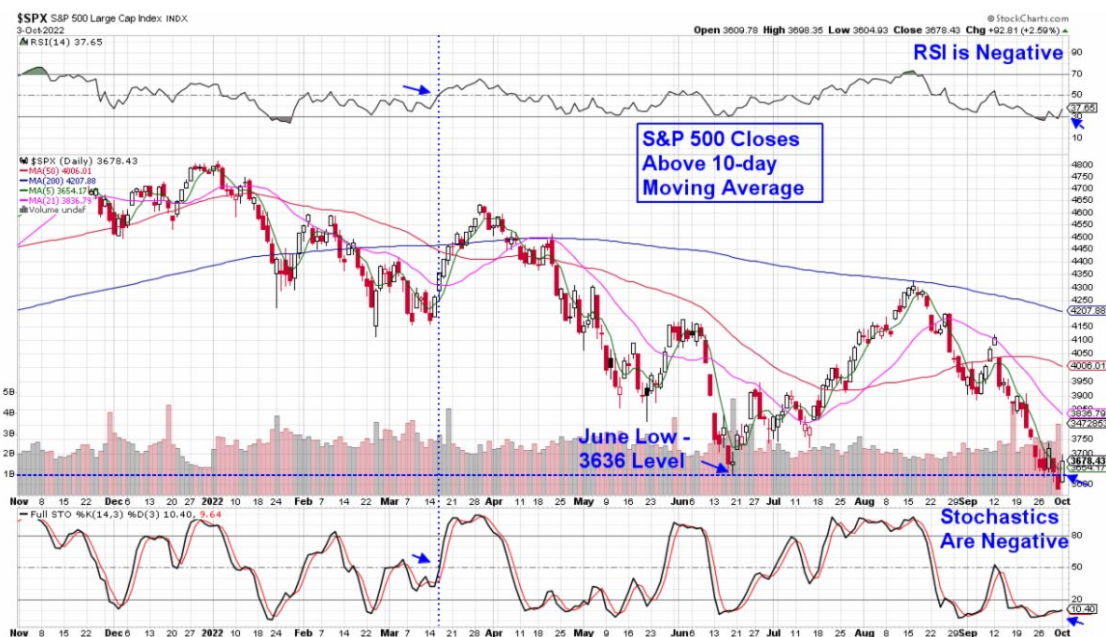
As for short positions, many of them were squeezed higher today with General Motors (GM) and Amazon (AMZN) from our List both remaining below upside resistance at their 10-day moving averages. Unless we see a break back above the 10 dmax, we remain negative on the near-term prospects for these stocks.



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DAILY CHART OF S&P 500 INDEX



Today's rally occurred following news that factory activity in the U.S. has slowed due to cautiousness among businesses who are eyeing rising interest rates and an uncertain economy.

As has been the case in the current market environment, bad news for the economy is good news for the markets as it lays a case for reduced aggressiveness from the Federal Reserve.

Of course one report does not a trend make and all eyes are on Friday's monthly employment report for further possible evidence of a slowing economy.

The biggest movers today were Energy stocks which rallied on news of a potential cut in Oil output of 1 million barrels per day. The possibility pushed oil prices higher with Oil Producing countries due to meet on Wednesday to discuss reducing oil production.



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Despite the 5.6% rally today, 80% of Energy stocks remain below their 50-day moving average. We're adding Diamondback (**FANG**) and Devon (**DVN**) to our Watch List which we will consider adding to our Suggested Holdings List should the Energy sector turn positive.

First Solar (**FSLR**) traded back above its 21-day moving average and into a buy zone after today's rally occurred on above average volume.

Developments in Ukraine pushed metal stocks higher today amid rumors that Europe will impose trading bans with Russia following their illegal annexation of several regions in Ukraine.

Overall, global strife, rising oil prices and elevated levels in the U.S. dollar and interest rates remain as a backdrop for the markets. Any continuation rally at this time would be viewed as short term and we would need to see characteristics highlighted in the chart above before participating.

We'll alert you to any shift in sentiment.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report