



# THE MEM EDGE

Midweek Report

Wednesday, October 26, 2022

- Service Sector Index Falls In October
- Consumer Confidence Falls On Inflation and Recession Fears
- Q3 GDP, Weekly Unemployment and Durable Goods Orders Thursday
- Personal Income, Personal Spending and Consumer Sentiment Report Friday
- Core PCE Report On Friday

Greetings,

The S&P 500 Index has gained 2.3% for the week as it continues to trend higher following last Friday's follow-through day. With the Stochastics and RSI in positive territory, we remain positive on the near-term prospects for the markets. A break above its 50-day moving average would be very constructive for a continuation rally.

The Nasdaq saw gains of 1.3% in a rally that was held back by steep losses in heavyweight names Alphabet (GOOGL) and Microsoft (MSFT) after the release of poor earnings and sales today. Other areas of this tech-heavy Index fared well however, and we'll review this below.

At this time, the Nasdaq is finding support at its upward 5-day moving average with the RSI pulling back to the neutral area of 50 on its daily chart. A break back below the 21-day mav with a negative RSI would have us reconsidering our near-term bullish stance for this Index

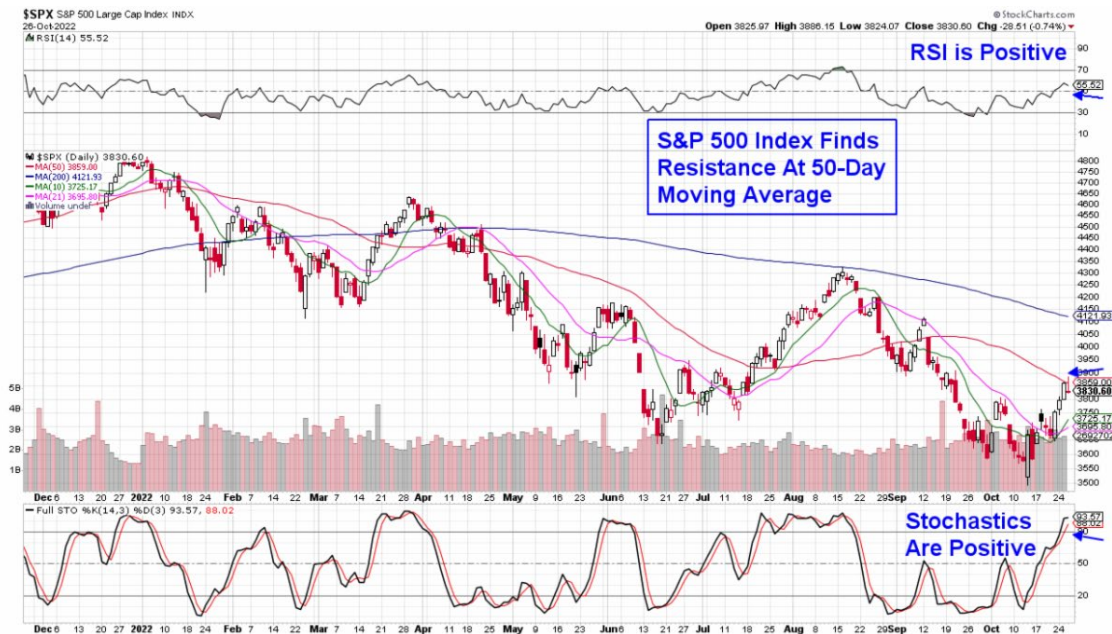
Heavyweight stocks Amazon (AMZN) and Apple (AAPL) are due to report earnings tomorrow after the market close. While their results may impact select areas of the market such as Retailers, this week's bullish price action in stocks that's taking place despite GOOGL and MSFT's miss, is broadening out participation in the markets which is quite constructive.



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## DAILY CHART OF S&P 500 INDEX



This week's rally in the markets was helped by economic news that points to the possibility that high interest rates are slowing down consumer spending while also negatively impacting consumer sentiment.

As noted in the past, we're in a period where weak economic data is good for the markets, as it paves the way for a possible slowdown in the Federal Reserve's aggressive rate hike policy.

Third quarter earnings reports are also driving price action as similar to last week, companies that report above estimates and/or guide growth estimates higher going forward, are seeing the biggest gains.

This would include Energy stocks that continue to report triple digit earnings that are coming in above estimates.

Devon Energy (**DVN**) from our Suggested Holdings List broke out of a 2-month base today after this week's 3.5% rally. The stock is in a buy zone as it finds



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support at its upward trending 5-day moving average. Of note - DVN is due to report earnings next Tuesday.

EOG Resources (**EOG**) is flat for the week despite a Wall Street upgrade yesterday and the stock remains in a buy zone ahead of the release of their earnings next Thursday.

Teekay Tankers (**TNK**) is continuing to consolidate this week with sideways price action that's similar to the price action in August into September of this year. Unlike its late June period that flashed a sell signal, during the Aug. - Sept. period, the MACD remained in positive territory similar to now.

TNK is due to report earnings next Thursday. After reporting positive results for the last 3 quarters, the stock experienced upside price action.

Retail stocks are a top performing group this week despite a drop in Consumer Confidence. (using ETF XRT +5.1%). As cited in our Sunday Report, discount retailers in particular can fare well during periods of high inflation and Walmart (**WMT**) from our Watch List is outperforming.

Heavyweight retailer Amazon (AMZN) will be reporting results after the close tomorrow which has us holding off from adding Walmart (WMT) to our Suggested Holdings List at this time.

Retailer Genuine Parts Co. (**GPC**) from our List has seen a 5.5% rally with a gap up on Monday that pushed the stock out of a 6-week base on volume. The stock remains in a strong buy zone and we can use the late July base breakout as precedence where pullbacks closer to the 5-day mav were an ideal buy point.

As cited in our Sunday Report, Enphase (**ENPH**) was being closely watched as it was due to report earnings today with the company having a recent history of reporting above estimates and trading higher. **ENPH** gapped up today after reporting results above estimates while guiding higher.

The move pushed ENPH above its 50-day moving average and into a buy zone. We are adding the stock to our Suggested Holdings List however, we would begin with a smaller position based on 2 factors.



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The RSI had a positive crossover but is not yet in positive territory and also, peer stock First Solar (**FSLR**) is due to report earnings tomorrow after the close which historically will impact the group.

Elsewhere in the markets, other dynamics are shaping up with outperformance in both REIT and Utility stocks which have been in confirmed downtrends for quite some time. The charts of these sectors are in the beginning stages of a downtrend reversal and we've added names to our Watch List that we'll be watching closely.

Healthcare stocks are the top performers for the week and the sector has turned bullish (using **XLV**). This move above each of its moving averages is due to a 4.7% gain in Biotechs as well as rallies in several large Pharma stocks that are due to report earnings.

We've Biogen (**BIIB**) to our Watch List after the company reported strong results as well as Pacific Biosciences (**PACB**) which had a positive announcement today along with Amgen (**AMGN**) who had good news earlier this month.

Each of these stocks are near-term extended and we will look to add them to our Suggested Holdings List on any pullback.

Additional economic data will be released over the next 2 days with Friday's PCE report potentially having the most impact as it can be a gauge for inflation.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report