# THE MEM EDGE

*Midweek Report*

Wednesday, November 2, 2022

- Federal Reserve Raises Rates By 0.75% With Mixed Signals Regarding Future Rate Hikes
- Chicago PMI Data Shows Contraction In Manufacturing
- Job Openings Jump In September While Private Job Growth Picks Up In October
- Weekly Jobless Claims, Factory Orders and Unemployment Rate For October Due Thursday & Friday
- Removing Apple (**AAPL**), Iridium (**IRDM**) and Devon Energy (**DVN**) From Suggested Holdings List

The S&P 500 has lost 3.3% for the week in a move that's pushed this Index below both its 50 and 10-day moving averages. The RSI is now in negative territory while the Stochastics remain positive.

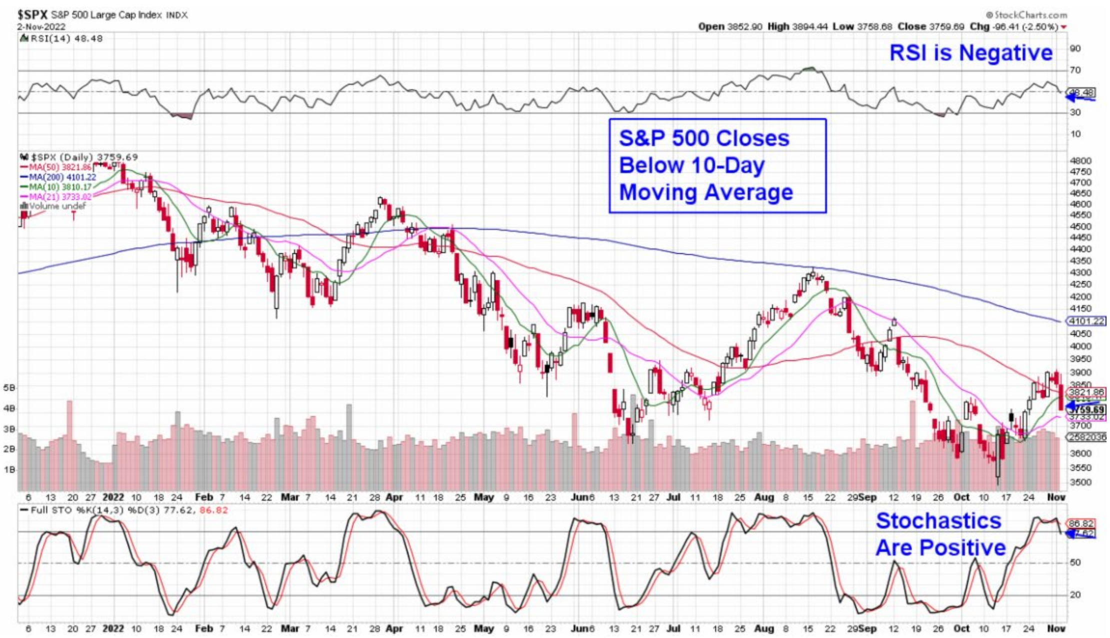
The S&P 500's break below its 50-day moving average coupled with a negative RSI on the daily chart, has us negative on the near-term prospects for the markets. At this time, the next area of downside support is the 21-day moving average which is 0.7% away.

The Nasdaq has dropped even further with a 4.8% decline that's pushed this Index below each of its key moving averages The next area of support is the October 13th low of 10088 which is 4.1% away. The sharp drop in the Nasdaq today occurred on above average volume which points to distribution.

Software and Semiconductor stocks gave back last week's gains and then some, while last week's biggest losers - Amazon (AMZN) and Meta (META) - are the worse performers among mega-cap names again. this week.

Most of the decline in the markets occurred today, following Fed Chair Powell's speech after the announcement of an increase in rates by the anticipated 0.75% level. In particular, Powell repeatedly stated that we are not in any way close to seeing economic data that would point to a slowdown in rate hikes at this time.

DAILY CHART OF S&P 500 INDEX




Hardest hit today were Growth stocks as most of the mega-cap FAANMG stocks as well as the Technology and Consumer Discretionary sectors retreated on news that interest rate hikes will likely continue at an aggressive rate for some time.

Sectors that outpaced the markets last week have held up the best so far this week. This would include Industrials, Financials, Staples and Healthcare and while this relative outperformance is notable, Healthcare is now back to being the only "newer" sector that is above support and in an uptrend. (XLV). This sector joins Energy which remains in an uptrend.

Biotech stocks also fell less than the markets with a 1.6% decline for the week which keeps the near-term uptrend in this group in place. Using the July rally as precedence, a break below its near-term 10-and 21-day moving average coupled with a negative RSI would have us removing stocks in this area. (using ETF **IBB** on our List).

We would not be a buyer of the Biotech names on our List at this time however as we await price action over the next several days to provide insight into

Today, we're removing both Apple (**AAPL**) and Iridium Communications (IRDM) from our Suggested Holdings List as Tech stocks come under pressure. As mentioned over the weekend, we were awaiting a possible move back above the 200-day for AAPL to enter a strong buy zone and it has retreated further away instead.

While Iridium (**IRDM**) remains above its moving averages and in an uptrend, broader market dynamics have us removing this higher multiple Growth stock.

Energy stocks are down the least so far this week however, Devon (DVN) from our List fell sharply today despite reporting very strong quarterly results while guiding growth prospects higher for next quarter. The decline occurred due to DVN's increased capital expenditure forecast as well as the lowering of their dividend payout from last quarter.

We're removing Devon (**DVN**) from our Suggested Holdings List as the stock closed below its 50-day moving average on very heavy volume.

EOG Resources (**EOG**) from our List is due to report their quarterly results tomorrow.

Teekay Tankers (**TNK**) posted a 7.8% gain ahead of the release of their earnings before the market open tomorrow. The stock is in a strong buy zone after closing above its 10-day moving average.

Retail stocks were hit the hardest today as led by a drop in Amazon (AMZN) as well as other retailers. Both Walmart (**WMT**) and Genuine Parts (**GPC**) can be held after posting modest declines that keep them above key support.

Key economic data will be released over the next 2 days with Factory Orders tomorrow expected to shed light on the state of the manufacturing industry while the Unemployment rate for October due on Friday.

Of the two reports, the employment data - both tomorrow's weekly report as well as Friday's monthly report - will be most closely watched as Fed Chair Powell has stated his concerns of a strong employment situation increasing wages and keeping inflation in place.

At this time, we would refrain from putting new money to work until we at least see the S&P 500 break back above its 50-day moving average.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report