



THE MEM EDGE

Midweek Report

Wednesday November 9, 2022

- Republican Majority Is Narrow After Midterm Elections
- Oil Prices Fall Amid Excess Inventory
- Interest Rates Remain Elevated Ahead Of CPI Report
- Cryptocurrencies Fall Sharply
- CPI Data Due Tomorrow Along With Speeches By 5 Fed Officials
- Bond Market Closed Friday Due To Veteran's Day

The S&P 500 has lost 0.6% so far this week in a move that's pushed this Index below its 21-day moving average with the mid-October level now being the next area of possible support. The RSI is in negative territory while the Stochastics are positive. We remain negative on the prospects for the overall markets.

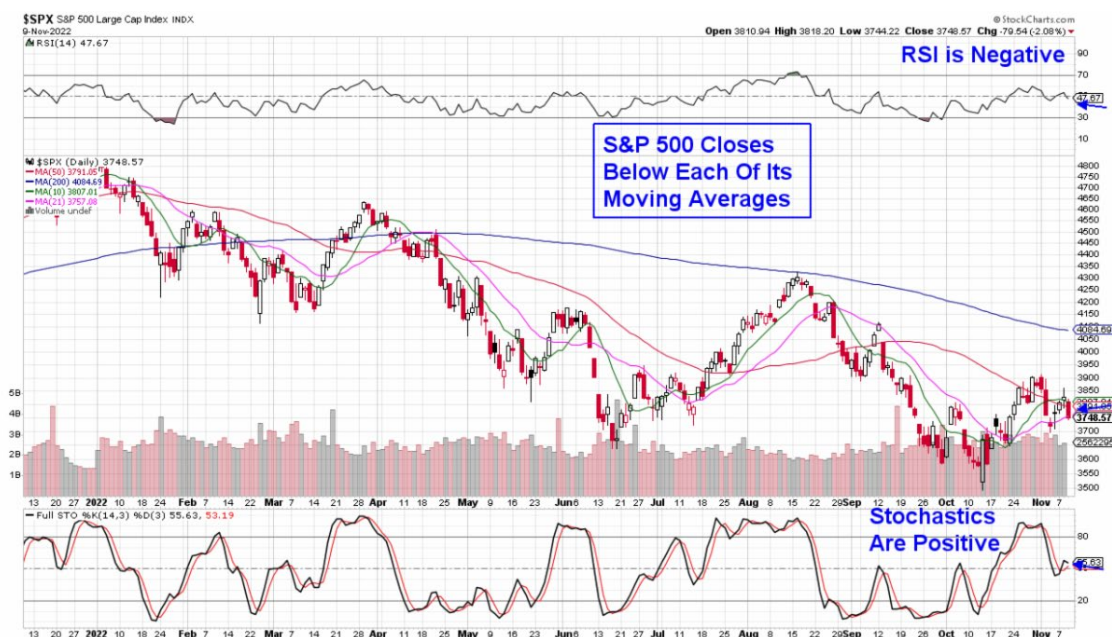
The Nasdaq fell further with a 1.2% decline that was led by underperformance in most of the mega-cap FAANMG names with Tesla (TSLA) falling 14.4% so far this week. However, small gains in Semiconductor and Software stocks are stemming further losses with heavyweight name Microsoft (MSFT) up 1.5%.



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DAILY CHART OF S&P 500 INDEX



In a surprising outcome, Republicans have not taken over a large majority among the Senate or Congress in the midterm elections this year which has greatly impacted select areas such as Energy.

Today, the Energy sector fell 4.9% as the likelihood of a Republican controlled Congress remains to be seen. Investors had been counting on this possibility that would in turn, have the Biden administration making tradeoffs regarding new oil projects in return for support for climate initiatives.

The result was a sharp pullback in bellwether Energy stocks such as Exxon (**XOM**) from our List which is now down 3% for the week. The heavy volume on a break below its 10-day moving average is reminiscent of its June pullback which occurred amid lower oil prices.

Shorter term investors may want to lock in any profits while longer term on the weekly chart, **XOM** remains in a positive position.

Haliburton (**HAL**) from our List fell even further, as the prospect of fewer oil projects will negatively impact growth among oil field services companies and



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with **HAL** being the largest in this space, it was hit hard. The stock has lost 4.3% for the week and near-term further downside is ahead. Longer term, the outlook remains constructive.

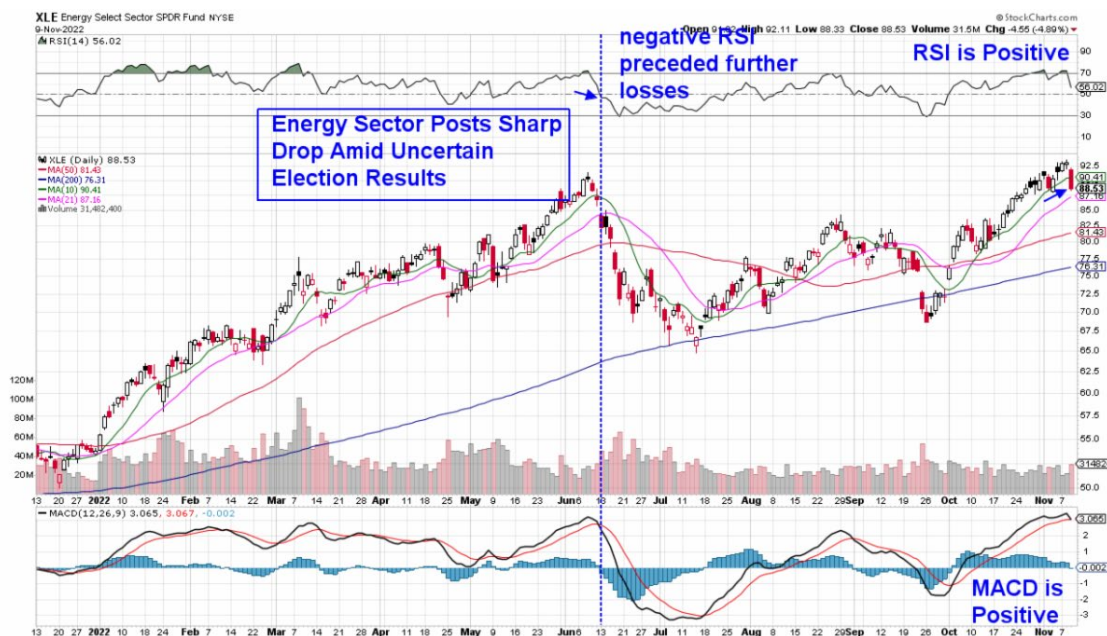
Of note, a negative RSI on the daily chart for both stocks has preceded further near-term downside.

Both EOG Resources (**EOG**) and Schlumberger (**SLB**) from our List remain above their 10-day moving averages and are in an uptrend.

On the opposite side of the potential Midterm Election outcome, Alternative Energy stocks such as Enphase (**ENPH**) rallied over the past 2 days. We'd be a buyer on a move back above its 10-day moving average.

Oil shipping stock Teekay (**TNK**) is exhibiting weakness amid what may amount to weakness in Energy stocks as well as profit taking ahead of tomorrow's CPI report.

DAILY CHART OF ENERGY SECTOR (XLE)



The Healthcare sector is among the top three in performance lead by Biotech stocks such as Amgen (**AMGN**) from our List which has gained 7.8%. The



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company announced that their cholesterol drug that's in development stage had positive results in 95% of patients. This news was followed up by a promising update on Tuesday regarding their obesity drug.

We would not be a buyer of **AMGN** at current levels as it is overbought and due a pullback. Shorter term investors may want to take profits while longer term on the weekly chart, **AMGN** is poised for further upside.

Gilead (**GILD**) from our List remains in an uptrend after gaining 2.5% however, the stock is extended away from its 5-day moving average with a pullback to this \$81 level being a buy zone.

Vertex (**VRTX**) is flat for the week which is in line with the Biotech ETF (**IBB**) from our Suggested Holdings List. Both names can be held.

The Consumer Discretionary sector is the worse performing this week led by Tesla's sharp drop while heavyweight name Amazon (AMZN) continues to decline.

Walmart (**WMT**) from our List fell a bit more than the markets today after a Wall Street downgrade of rival company Target (TGT) which is anticipating a slowdown in earnings. Both companies are due to report 3rd quarter earnings next week. **WMT** remains in an uptrend however, a negative RSI on its daily chart would point to further near-term downside.

Genuine Parts (**GPC**) remains in a strong uptrend above its moving averages and can be held.

Tomorrow's CPI report is expected to have a major impact on the broader markets with the core CPI being the most closely watched. Any print above 6.5% will be quite negative.

In addition, there will be speeches by 5 different Federal Reserve presidents tomorrow and comments will be closely examined for hints regarding future rate interest rate hikes.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report