



THE MEM EDGE

Midweek Report

Wednesday November 16, 2022

- Producer Price Index Points To Softening Inflation
- Strong Walmart (WMT) Earnings Boost Market Tuesday/
Weak Target (TGT) Report Dampens Market Wednesday
- Retail Sales Jumps In October
- Weekly Jobless Report Thursday & Home Sales Friday

Greetings!

The S&P 500 is down 0.7% for the week in a move that keeps the near-term uptrend in place with the Index above its 10-day moving average and its RSI and Stochastics both in positive territory.

The next area of upside resistance is its 200-day moving average which is 2.8% away. A move above this moving average would be constructive and provide more confidence in this current bear market rally.

Should we see a further pullback in the S&P 500, the 10-day moving average is the next area of possible support which is 2.2% away. A move below this moving average coupled with negative RSI, would have us cautious on the near-term prospects for the markets.



THE MEM EDGE

Midweek Report

The Nasdaq has lost 1% for the week which moves this Index closer to its 50-day moving average which is the next area of possible support. The 50-day moving average is 1.8% away. This Tech-heavy Index was hurt by a pullback in Semiconductor stocks as well as select Retailers which we'll review below. (using SOXX and XRT respectively)

The markets were given a boost on Tuesday after the Producer Price Index (PPI) showed that wholesale prices are rising at a slower rate which points to a softening of U.S. inflation. It was welcome news for investors after last Thursday's surprise CPI report showed consumer prices were rising at a slower rate as well.

Walmart's (WMT) strong quarterly earnings report also boosted the markets on Tuesday while Target's (TGT) very weak report today, pushed the markets lower.

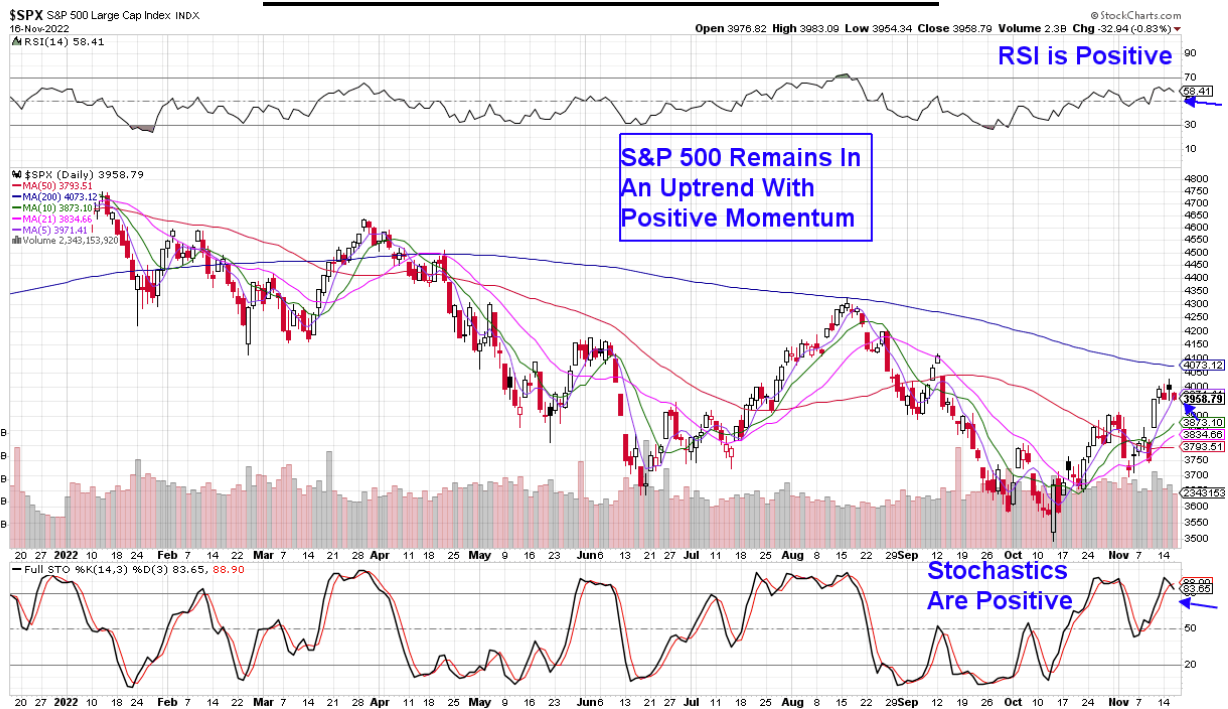
The good news is, interest rates continue to decline as does the U.S. dollar which is a positive backdrop however, the ability of earnings reports to drive broader price action shows a lack of conviction among investors.



THE MEM EDGE

Midweek Report

DAILY CHART OF S&P 500 INDEX



Semiconductor stocks were continuing their advance from last week before today's 4% pullback put the group back from its potential move above its 200-day moving average. Today's decline followed a report from bellwether chip company Micron (MU) who announced they're cutting their memory chip production by 20% due to weak demand.

Semiconductor Equipment stocks that specialize in supplying the equipment needed to manufacture memory chips were hit the hardest. This would include Lam Research (**LRCX**) who is the largest supplier in this space, dropped today in a move that pushed the stock below its 200-day moving average on volume. We're removing the stock from our Suggested Holdings List.



THE MEM EDGE

Midweek Report

A S M L (ASML) pulled back less than the group however, the stock remains in an overbought position and above the buy point level we had suggested over the weekend for both names which was their 200-day moving average. ASML will remain on our List with a pullback closer to its 200-day moving average remaining as a possible buy point.

O N Semiconductor (**ON**) from our List experienced a drop today that pushed the stock below its 5-day moving average. A move back above this mav would put the stock back in a buy zone however, a negative RSI on its daily chart on any further pullback would point to further downside.

Heavyweight Semi stock Nvidia (NVDA) reported earnings after the close today. The stock inched higher amid mixed results and tomorrow's price action may impact the group further. Should we see further selling, a negative RSI on the daily chart of SOXX would have us negative on the overall group.

Real Estate stocks have retreated this week with the group giving back part of last week's sharp gains. Sun Communities (SUI) remains above its 50-day moving average and can be held.

As mentioned, Walmart (**WMT**) posted a gain after its solid quarterly earnings report and the stock can be held as its now overbought and we would not be a buyer at this time.

Alternative Energy stocks are a bright spot this week with solar panel provider Enphase (**ENPH**) from our List gaining 4.5%



THE MEM EDGE

Midweek Report

following an analyst upgrade on Monday. The stock is in a buy zone as it finds support at its 5-day moving average.

Energy stocks are pulling back amid a drop in the price of Oil. The pullback is putting each of these stocks into a buy zone with Exxon (**XOM**) exhibiting the most positive characteristics as it finds support above each of its moving averages.

Biotech stocks remain in an uptrend (**IBB**), with Amgen (**AMGN**) and Gilead (**GILD**) each finding support above their 5-day moving averages.

Today, Retail Sales showed surprising strength in October despite elevated inflation levels. Strong spending among consumers is a negative for the markets as it provides fuel for the Federal Reserve to keep interest rates high to combat spending.

Tomorrow, weekly employment numbers will be released and this is another sticking point for the Federal Reserve as they're on the lookout for increased unemployment which would help stem spending while putting downward pressure on wages.

Overall, the markets remain in an uptrend however, we'd continue to tread lightly as the current rally is considered a countertrend or bear market rally at this time.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report