



Tuesday, December 6, 2022

- S&P 500 Posts 4th Consecutive Day Of Losses
- ISM Service Sector Index Rises In November
- Factory Orders Rise In October
- Producer Price Index (PPI) & Consumer Sentiment Reports Due Friday
- Removing E O G Resources (EOG) and Exxon Mobil (XOM) From Suggested Holdings List

The S&P 500 has lost 3.2% over the past two days and is now trading below its 10, 21 and 200-day moving averages. The decline has pushed the RSI into negative territory on the daily chart with the Stochastics very close to also turning negative.

On the weekly chart of the S&P 500, the RSI has also turned negative, with current price action similar to the reversal of the bear market rallies in March and July of this year.

The next area of downside support for the S&P 500 is its 50-day moving average which is 3.1% away.

We are now cautious on the near-term prospects for the markets. The Nasdaq is faring worse with a 3.9% decline that has pushed both the RSI and Stochastics into negative territory. In addition, this Index is now less than 1% above its 50-day moving average which is the next area of possible support. Should we break below

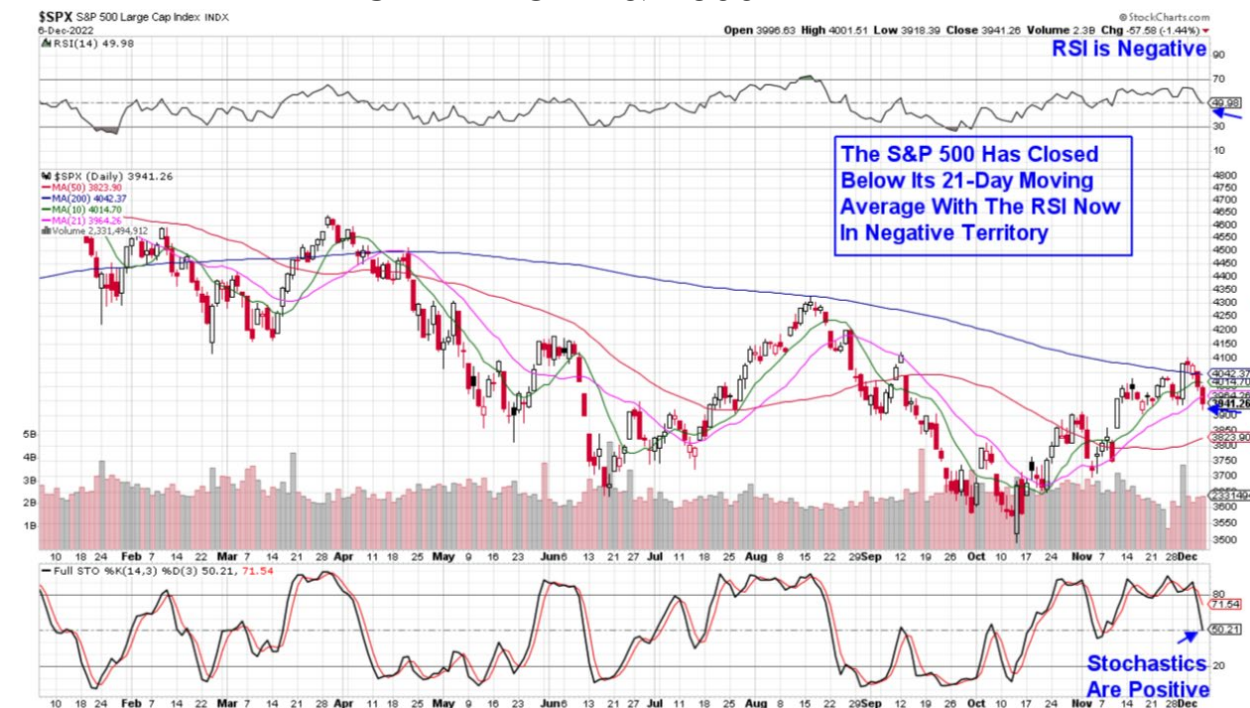


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this key area of support, the early November low would be the possible area to look for any support.

CHART OF S&P 500 INDEX



Growth areas have been among the hardest hit over the past two days led lower by underperformances in each of the heavyweight FAANMG stocks. The sharp pullback has given back most of the prior week's gains and unless we see a late week rally, our optimism of a broadening out of the markets into Growth stocks will be eliminated.

Software stocks were hit especially hard with the group down 5.3% with Semiconductors falling in line with the Nasdaq. Energy stocks are down the most with a 5.5% decline amid lower oil prices as Brent Crude has fallen 3% for the week. The decline has pushed the Energy Sector below its key 50-day moving



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average and we're now negative on the near term prospects for the group.

Exxon Mobile (**XOM**) and E O G Resources (**EOG**) both broke below key areas of support that we highlighted in our Sunday Report and their break below their key 50-day moving average has us removing both stocks from our Suggested Holdings List.

The Consumer Discretionary sector has also fallen below its 50-day moving average and back into a downtrend. (using XLY). The group's been led lower this week by an average decline of 6.5% in Tesla (TSLA) and Amazon (AMZN).

Each of the Retail stocks on our Suggested Holdings List are finding support above either their 10 or 21-day moving averages with their RSI and MACD in positive territory. That said, we would not be a buyer on this weakness and advise some profit taking on any heavy positions.

Defensive areas of the market have held up the best this week which is a continuation of a favoritism among these stocks as investors weigh the possibility of a recession.

We'll provide further insights regarding the markets and stocks on our List in tomorrow's Midweek Report.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report