



THE MEM EDGE

Midweek Report

Wednesday, December 21, 2022

- Nike (NKE) Strong Quarterly Results Spurs Market Rally
- S&P 500 Closes Today At Its 50-Day Moving Average
- Energy Sector Is Top Performing
- Consumer Confidence Hits 8 Month High
- GDP & Employment Data Due Tomorrow / Core PCE Report Due Friday

The S&P 500 has gained 0.7% this week in a move that puts this Index just at its 50-day moving average. The RSI and Stochastics are in negative territory which has us negative on the near-term prospects for the markets.

While a close above the 50-day moving average would be constructive for the market's prospects, we'd need to see a move above its shorter term 10 and 21-day moving average coupled with a positive Stochastics and RSI before putting new money to work in these markets.

The Nasdaq is flat for the week as Growth stocks continue to struggle with inflation fears remaining as a backdrop. This Index remains below each of its moving averages with the November 4th low being the next area of possible support. In addition, the RSI and Stochastics remain in negative territory.



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Should we experience a rally attempt, the 50-day moving average is the first area of possible upside resistance and that is currently 2% above the current price for the Nasdaq.

The markets began this week with a continuation selloff as recession fears remain following last week's announcement from the Federal Reserve's that they intend to raise interest rates higher than originally thought and for a lengthier period.

Daily Chart of S&P 500 Index



Today we experienced a relief rally that was sparked by upbeat earnings reports from both Nike (NKE) and FedEx (FDX). Improving Consumer Confidence numbers also helped boost the markets.



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Nike's strong earnings pushed other footwear stocks higher with Crocs (**CROX**) from our List being the top performer (after NKE). CROX had already been holding in much better than the markets with today's 8.5% rally putting the stock close to a 3-week base breakout at \$104. Today's rally on volume puts the stock in a position to trade higher should the markets gain as well.

Home Depot (**HD**) would need to move back above its 10 and 21-day moving average in order to be in a buy zone.

The Healthcare sector regained its RSI so that it's now in positive territory following a rally today with the Stochastics turning up from an oversold position which is positive.

Biotech stocks have positive momentum indicators with ETF **IBB** from our List, now very close to moving back above its 10 and 21-day moving average and into a buy zone.

BioMarin Pharmaceutical (**BMRN**) is pulling back this week in a move that has the MACD posting a negative crossover (black line down through the red). Today's heavy volume as the stock closed below its 10-day moving average has us concerned and we advise taking at least some profits as near-term **BMRN** is poised for further downside.

Gilead (**GILD**) initially pulled back sharply yesterday on news that through their subsidiary Kite, they're acquiring Tmunity Therapeutics which will reduce next year's earnings. Buyers came in on the gap down in price so that **GILD** closed the day almost flat with the stock up slightly today. This is bullish behavior.



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GILD's RSI and MACD remain positive however, we're on the lookout for a close back above its 10 and 21-day moving averages to confirm that the stock has regained its uptrend.

Recently added Dexcomm (**DXCM**) is flat so far this week after pulling back to its 50-day moving average and finding support. A move above its 10 and 21-day moving average would put the stock into a buy zone as its momentum indicators are positive.

Astrazeneca (**AZN**) is very close to regaining its 21-day moving average which would put the stock in a position to trade higher.

Technology stocks are underperforming however, Alternative Energy Equipment and Semiconductor stocks outperformed today with Enphase (**ENPH**) now in a buy zone after closing the day above its shorter term moving averages after briefly dropping below its 50-day moving average.

Today's reversal was on relatively heavy volume that puts the stock into a buy zone.

Among Semiconductor stocks, A S M L (**ASML**)'s rally today pushed the RSI into positive territory and a move above its 10 and 21-day moving average would put the stock back into an uptrend.

Today's rally was a welcome relief from a market that's been under selling pressure due to recession fears. Critical inflation related data over the next 2 days is expected to sway the markets further with Friday's PCE report due to have the most impact.



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This Personal Consumption Expenditures Price Index measures the prices that are paid for goods and services with the “core” number being the most closely watched. This is because it strips out the more volatile food and energy prices and provides a more useful number. A number below 4.6% for the year-over year data would be a positive as would a November number below the consensus of 0.2%.

Lastly, Energy stocks are firming up following a week to date rally of 2.4%. Energy stocks in the Oil & Gas Field Services area - such as Haliburton (HAL) and Schlumberger (SLB) are now in a bullish position to trade higher after moving above each of their moving averages. This price action sets these stocks up to be leadership names once the sector turns positive (using XLE).

While we’ve identified select stocks as being in a buy zone, we would only consider names that are in defensive areas such as Healthcare at this time. New positions in other areas would need to be closely monitored.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report