



Wednesday, December 28, 2022

- China's Lowering Of Covid Restrictions Causes Cases To Surge
- Yield On 10-Year Treasury Approaches 4%
- Oil Prices Fall Amid China Covid Cases
- Pending Home Sales Decline For 6th Consecutive Month
- Weekly Jobless Claims Due Tomorrow

The S&P 500 is down 1.6% over the past two days in a move that puts this Index further below its 50-day moving average, with the RSI and Stochastics in negative territory. In addition, the shorter term 10-day moving average has closed below the 50-day moving average with a negative death cross signal now in place. As highlighted in our Sunday report, this will often foretell further downside price action.

As for any possible rally attempts, the 10-day moving average is now the first area of possible upside resistance which is 1.9% away with the 50-day moving average the next area of possible resistance.

The Nasdaq is faring worse amid an uptick in interest rates that is putting downward pressure on Growth stocks such as each of the FAANMG stocks which are underperforming for the week. Semiconductor, Retail and Software stocks are also selling off further than the markets.

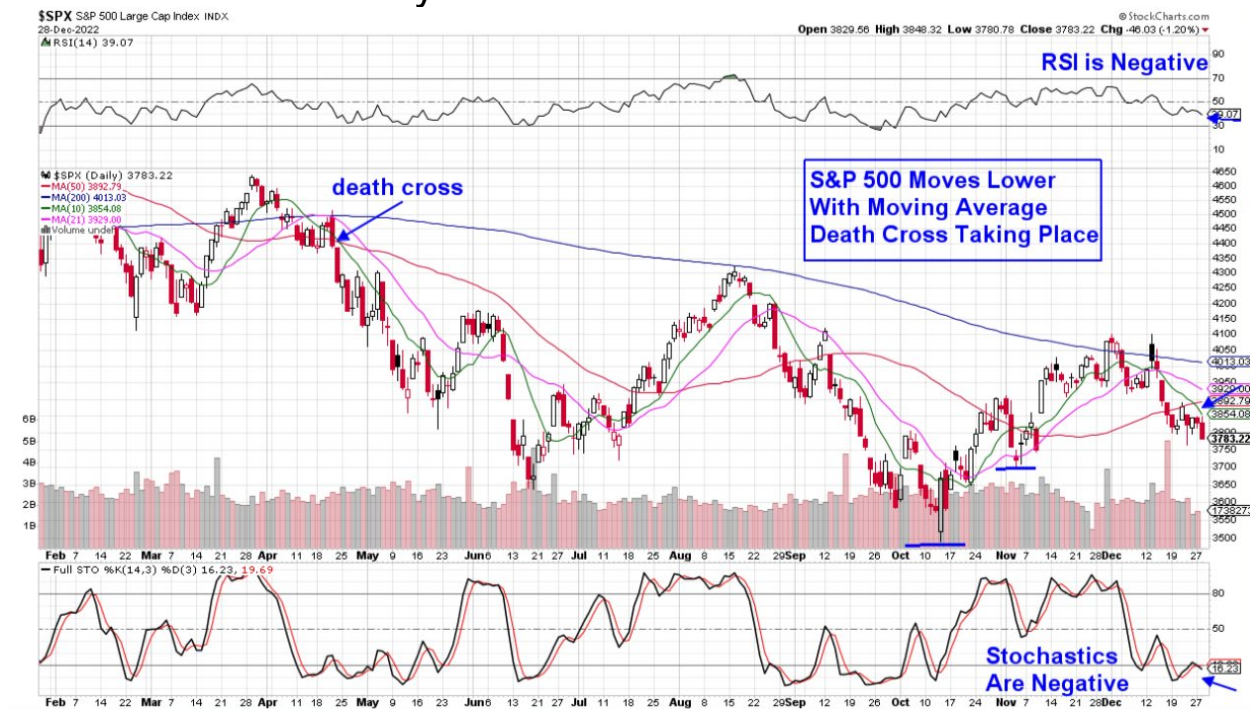


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Midweek Report

Below we've posted a chart of the Nasdaq relative to yields on the 10-year Treasury going back to the end of last year. As you'll see, higher interest rates have a negative impact on this Tech and other Growth stock Index.

Daily Chart of S&P 500 INDEX



Defensive areas of the market continue to hold in better than their peers however, Biotech stocks within Healthcare have sold off 2.7% for the week as risk appetite among investors has been depleted.



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Today, we're removing Biotech ETF (IBB) from our Suggested Holdings List as it has broken below its 50-day moving average on volume with its momentum indicators now in negative territory.

BioMarin Pharmaceutical (BMRN) has fallen below its 21-day moving average; however, its momentum remains positive on its daily chart.. As cited in our last 2 reports, profit taking at this time would be prudent. The longer-term, weekly chart remains positive for BMRN.

Despite a selloff in Retail stocks which are down 2.6% (using XRT), Crocs (CROX) from our List has gained 2% for the week after posting a base breakout on volume yesterday. In addition, the MACD posted a positive crossover on the daily chart. (black line up through the red). The stock is poised to trade higher from here.

That said, given broader market's negative dynamics, we would not be a buyer of CROX or other stocks at this time.

Trading volume has been extremely light this week after posting 20% of the average that's seen during a non-holiday period. That said, sentiment remains negative as seen by the heavy selling among Growth stocks.

We'll elaborate further on the markets and industry groups such as Energy - which is down for the week so far - in our weekend report on Sunday.

Warm Regards,
Mary Ellen McGonagle



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Midweek Report

CHART OF NASDAQ VS TNX

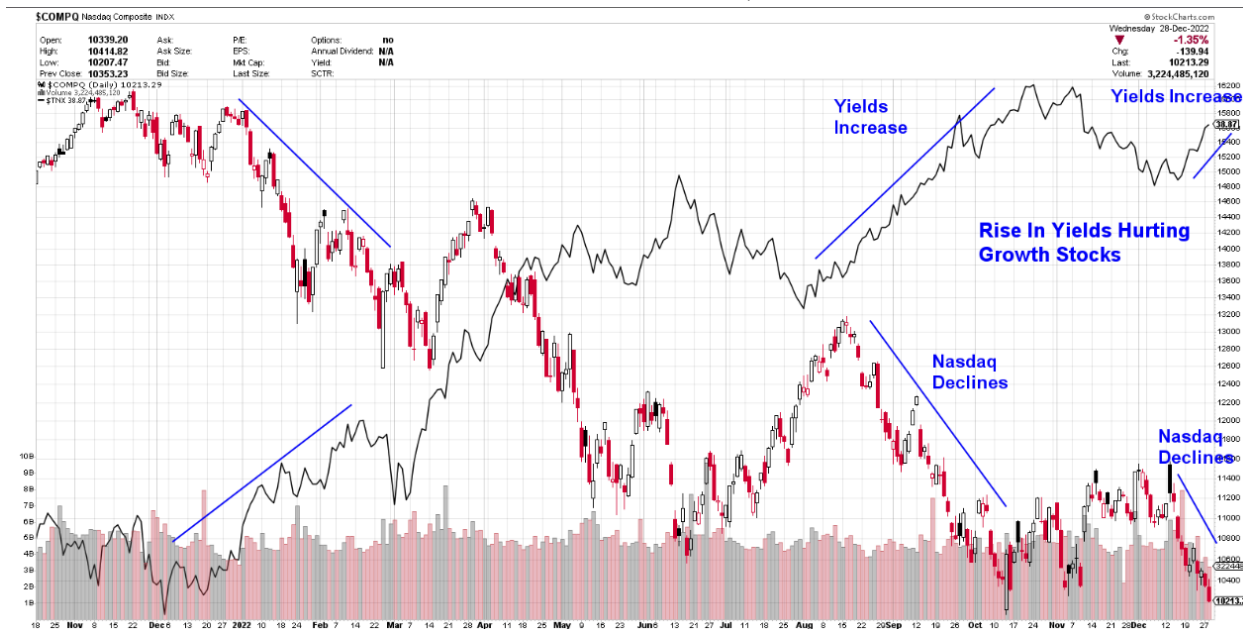


CHART OF TNX

