



THE MEM EDGE

Midweek Report

Wednesday, January 4, 2022

- Federal Reserve Sees No Rate Cuts This Year
- OPEC Oil Production Rises In December
- Growth Stocks Outperform As Interest Rates Pull Back
- Energy Stocks Get Hit As Oil Prices Drop
- Employment Data Due Tomorrow & Thursday Will Be In Sharper Focus

The S&P 500 has gained 0.4% for the week in a move that has it closing above its 10-day moving average; however, this Index remains below each of its additional key moving averages. With the RSI and Stochastics in negative territory, we remain negative on the prospects for the broader markets.

The Nasdaq has gained 0.1% over the past two days despite a sharp pullback in Microsoft (MSFT) and Apple (AAPL) which both received Wall Street downgrades due to growth concerns for this year.

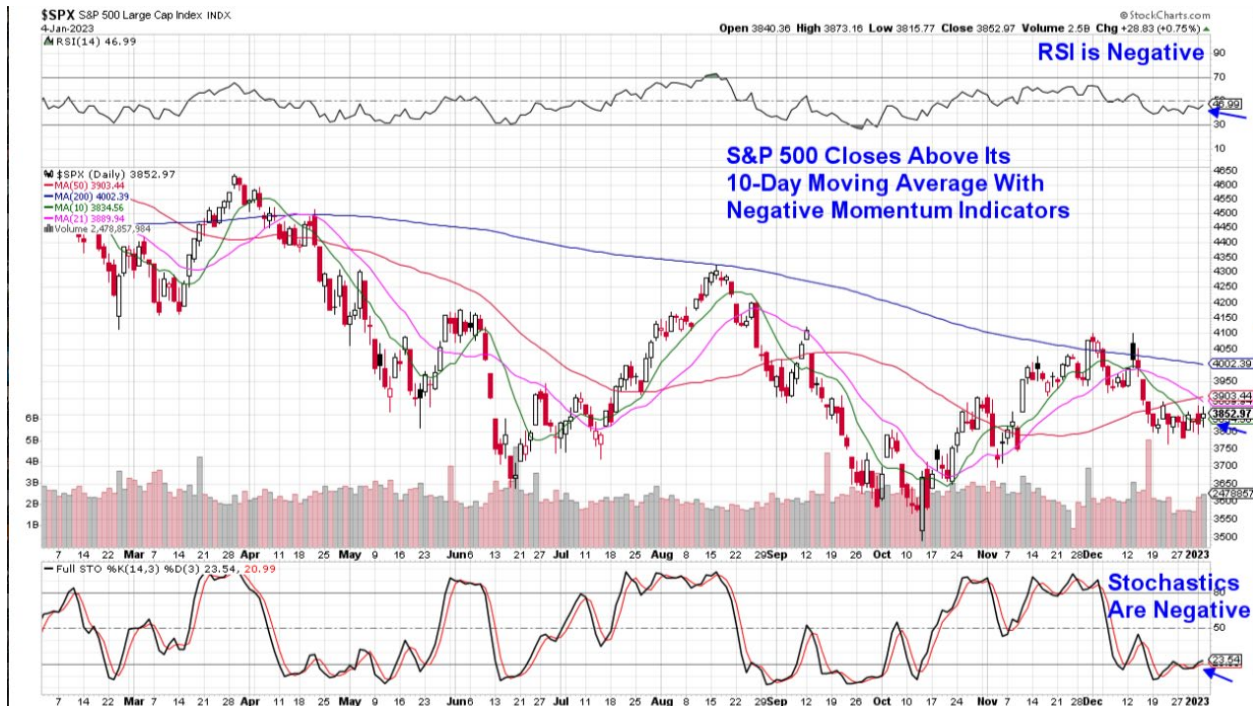
The Nasdaq remains below each of its key moving averages with its RSI and Stochastic in negative territory which does not bode well for the prospects for this Index.



THE MEM EDGE

Midweek Report

DAILY CHART OF S&P 500 INDEX



The big news this week was the release of the Federal Reserve's latest meeting notes where they highlighted that they anticipate no rate decreases for 2023 as they await further evidence that inflation has been tamed. The markets were able to shrug off the news however, their notes also cited the need for employment numbers to get weaker as well before considering a cut to rate hikes.

This will put more emphasis on the employment data due out over the next two days with Friday's December data potentially having the most impact. Any signs of strength or any increase in hourly wages will be a negative for the markets.



THE MEM EDGE

Midweek Report

Semiconductor stocks have outperformed for the week on news from Bloomberg that the Chinese government may be throwing in the towel on their costly semiconductor subsidy program. This would be a positive for companies that sell chips to China such as Micron (MU) and recently removed A S M L (ASML).

Despite the 1.6% gain in Semiconductors over the past two days, the group remains below key resistance at its 50-day moving average. However, we are adding names to our Watch List such as ASML.

Software stocks are also outperforming for the week amid bottom fishing among stocks in this group that are receiving Wall Street upgrades after being viewed as cheap following sell offs of 50% and more.

News that Software company Salesforce (CRM) is restructuring by way of layoffs and other cost cutting measures also spurred buying. This is another area where we're adding names to our Watch List with an eye toward a possible downtrend reversal at some point.

Energy stocks are the worst performers this week as oil prices are dropping due to an increase in the production of oil among OPEC countries. The sector has pulled back 3.8% and in turn, has pushed the RSI and Stochastics into negative territory on its daily chart.



THE MEM EDGE

Midweek Report

Each of the recently added Energy names from our List pulled back as well with Halliburton (**HAL**) finding support at its 50-day moving average and Schlumberger (**SLB**) regaining its 50-day mav. Tidewater (**TDW**) pulled back the furthest however, the stock found buyers on its pullback both yesterday and today which is constructive.

As stated in our Sunday report, any buying in these stocks should be limited due to broader market conditions. In addition, this week's pullback in the sector has now put the RSI in a negative position on the daily chart. (using XLE)

We will continue to monitor the group dynamics as well as the Energy names on our Suggested Holdings List and will alert you to any shift in sentiment.

The Healthcare sector as well as Biotech stocks are flat for the week. Among names on our List in this area, BioMarin (**BMRN**) has been pushed into a very bullish position following 2 major Wall Street upgrades with a \$200 price target which is close to double the stock's current value. (from BOA)

The news pushed the stock above its 10 and 21-day moving average on heavy volume and the stock is now in a buy zone.

Astrazeneca (**AZN**) is also seeing bullish price action this week following a major Wall Street upgrade. (from JPM) **AZN** is also trading above its shorter term moving averages and is in a buy zone. A pullback closer to the \$70 level would be an ideal buy point.



THE MEM EDGE

Midweek Report

Retail stocks are also seeing buying with Crocs (**CROX**) from our List remaining in an uptrend while Home Depot (**HD**) is a hair away from moving above its 10-day moving average which would put this stock into a buy zone.

Another factor impacting the markets this week is a pullback in Treasury yields with the 10-year now at 3.7% which moves it further below the impactful 4% level. This, as well as other factors, has allowed Growth stocks to trade higher.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report