



THE MEM EDGE

Midweek Report

Wednesday January 11, 2023

- November Consumer Credit Shows Continued Expansion
- S.F Federal Reserve Pres Sees Interest Rates Rising Above 5%
- December CPI Reports and Weekly Employment Reports Due Tomorrow
- January Consumer Confidence Report Due Friday

The S&P 500 gained 1.9% this week in a move that put this Index back above its 50-day moving average. In addition, the Stochastics have joined the RSI in positive territory on the daily chart. This move above the 50-day mav as well as both momentum indicators now closing above the 50 level, has us positive on the near-term prospects for markets.

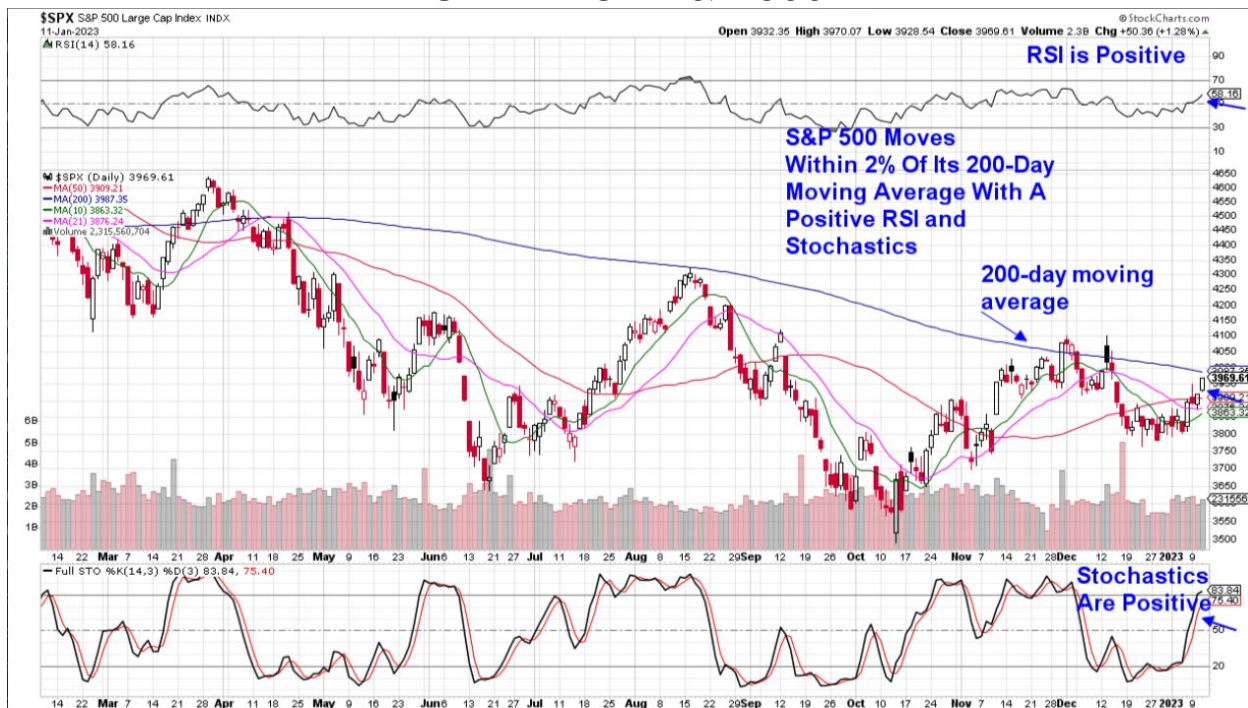
At this time, the 200-day moving average stands as the last area of possible upside resistance, and the S&P 500 is 0.4% below this mav. A move above this key moving average would provide further confidence in the near-term prospects for the markets.



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DAILY CHART OF S&P 500 INDEX



The Nasdaq has posted a 3.4% gain for the week led by a rally in Semiconductor, Software and most of the Mega-Cap FAANMG stocks. The rally has pushed the Nasdaq above its 50-day moving average while also propelling both the RSI and Stochastics into positive territory as well.

As stated in our Sunday Report, the Nasdaq posted a follow-through day last Friday which historically, has signaled every market bottom. (using methodology from William O'Neil). Not all follow-through days go on to mark a true bottom however, and as has been the case several times this year, they've signaled a bear market rally.



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DAILY CHART OF NASDAQ COMPOSITE



At this time, we're viewing current market action as signaling a bear market rally. In order to change our view, we would need to see more leadership names breaking out coupled with further evidence that inflation has subsided.

While tomorrow's CPI report may show a further decline in inflation, and in turn push the markets higher, the Federal Reserve has repeatedly stated that we are in no way close to the 2% inflation rate they're targeting.



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Consumer Discretionary stocks have gained the most for the week, led by a sharp rally in both Amazon (AMZN) and Tesla (TSLA) which account for 35% of this sector (XLY). Other high performing areas of this group were in the travel and leisure area as the reopening of China reignited moves into Cruise and Travel booking stocks.

Shoe stocks also gained with Crocs (CROX) from our List being among the top performers after a 10% rally. The stock is now extended out of a buy zone and can be bought on any pullback into the \$115 range (its 5-day mav) as today's move to a new near-term high occurred on above average volume.

Home Depot (HD) is now in a buy zone after closing today above its 10 and 21-day moving averages with the MACD now poised for a positive crossover. (black line up through the red)

The Energy sector has underperformed this week as anticipated demand from China has been offset by news of a build up in crude inventory.

There were bright spots however such Oil & Gas Field Services stocks which posted gains amid analyst upgrades.

Tidewater (TDW) from our List gained almost 5% after a gap up on Monday. The stock pulled back to its 5-day moving average today and is in a buy zone.

Schlumberger (SLB) also experienced a gap up in price with a continuation rally into a 1-month base breakout which puts this stock into a buy zone as well. SLB is due to report earnings later



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this month on the 20th. Halliburton (HAL) remains in an uptrend and can be bought on a pullback to its 5-day mav in the \$40 range.

Industrial stocks are underperforming however, Defense related stocks remain a bright spot with Transdigm (TDG) adding 3.8% to last week's base breakout. The stock is extended and can be bought on any pullback to the \$654 level which is its 5-day mav. Machinery and Mining stock Caterpillar (CAT) has posted a more modest gain for the week but remains in an uptrend as it finds support at its 5-day mav.

Healthcare stocks are underperforming this week as more defensive areas of the market are not as attractive as Higher Growth stocks which are on the move.

Biomarin (BMRN) has been an exception with this week's 2.2% gain pushing the stock out of a 1-month base. The stock is in a strong buy zone as buyers came in today upon BMRN's pullback to its 5-day moving average.

This week's rally has occurred due primarily to optimism surrounding tomorrow's December CPI report. The Core CPI will be the most closely watched metric as this data excludes the more volatile food and energy prices. Analysts are anticipating a 5.7% year over year gain which will be a decrease from the report on December 13th of 6%.

Should the data come in below 5.7%, we anticipate a continuation rally. We've updated the Watch List on the website as we've



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added several new Technology - and in particular Semiconductor stocks - to the list. This week's 4.5% rally has put the Semiconductor group above each of its key moving averages with the RSI and MACD now in positive territory. We'd be a buyer of those Semi's on our Watch List such as A S M L (ASML) which broke out of a 1-month base this week on above average volume.

Tomorrow, bellwether Semi company Taiwan Semiconductor (TSM) will be reporting their earnings reports and the results as well as management's guidance are anticipated to sway the Semi group as well.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report