



Wednesday, January 18, 2023

- Retail Sales Slump In December
- Wholesale Prices Post Biggest Drop Since 2020 Due To Gas & Food Prices
- Fed President Bullard Sees Fed Funds Rate At Over 5%
- Weekly Jobless Claims Tomorrow and Several Fed Officials Due To Speak Over Next Two Days
- Removing Gilead (GILD) From Suggested Holdings List

The S&P 500 has lost 1.8% this week in a move that puts this Index back below its key 200-day moving average with the RSI and Stochastics remaining in positive territory. The pullback puts the S&P 500 at its 50-and 10-day moving averages which was the next area of possible support after a move back below its 200-day mav.

The decline has occurred on slightly above average volume and with the S&P 500 currently breaching a possible break below its 50-day moving average, we're a bit cautious on the near-term prospects for the markets. The next area of possible support is now the 21-day moving average which is 1.4% away.



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DAILY CHART OF S&P 500 INDEX



The Nasdaq has fared a bit better with a 1.1% decline amid a rally in Tesla (TSLA) as well as gains in select Semiconductor and Software stocks. The pullback puts this Index closer to its 50-day moving average which is the first area of possible support and is 0.6% away. Both the RSI and Stochastics remain in positive territory.

The markets were mostly flat on Tuesday with selling coming into play today, after a Fed official commented that interest rates could easily surpass 5% this year in an effort to further lower inflation.



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The hawkish statements occurred amid surprisingly weak economic data that showed food and energy prices dropping.

As you may recall, the Federal Reserve pays closer attention to “core” Consumer Price Index (CPI) data as an important reflection of inflation because it strips out the typically volatile food and energy prices.

Weak Retail Sales data for December pushed Retail stocks lower today however, both Crocs (**CROX**) and Deckers (**DECK**) from our List outperformed amid analyst upgrades to earnings for this year. We continue to be on the lookout for a pullback to the 5-day moving average as a buy point for these stocks which are both in a strong uptrend.

Semiconductor stocks pulled back less than the markets in a move that keeps its uptrend intact (using SOXX). Among stocks on our List in this group, Lattice Semi (**LSCC**) remains in a buy zone as it finds support at its upward trending 5-day moving average. A S M L (**ASML**) pulled back to its 5-day mav and into a buy zone.

The group did not have any companies reporting earnings this week which is helping buoy performance amid positive reports over the past 2 weeks.

Elsewhere in Technology, Solar Equipment company First Solar (**FSLR**) pulled back to its 5-day moving average and into a buy zone. Buyers supported the stock after a slight pullback below this mav which is positive price action.



Energy stocks were mixed this week despite anticipation that China's reopening will push oil prices to record highs.

Halliburton (**HAL**) fell 4.5% and is currently finding support at its 10-day moving average. Today's volume was above average and we'll be closely watching for a possible MACD crossover on the daily chart should we see further deterioration in HAL. Should this occur, it would be a negative for the near-term prospects for the stock.

Tidewater (**TDW**) fared better after hitting a new high in price before a pullback today that puts the stocks with a 3.7% gain for the week. A pullback to the 5-day moving average has proven to be an ideal buy point.

The Industrial sector is the worse performing this week amid a pullback in heavyweight names such as 3M (**MMM**) and Honeywell (**HON**) which are falling due to analyst downgrades.

Both Caterpillar (**CAT**) and Transdigm (**TDG**) are pulling back less than their peers; however, they're both below their 5-day moving average. While not concerning at this time, we'll be monitoring price action and the MACD on the daily chart for near-term clues as a move back above the 5-day mav would be bullish.

The Healthcare sector is continuing to come under selling pressure with the group now posting negative momentum indicators on the daily chart. (using XLV).



Both Astrazeneca (**AZN**) and Biomarin (**BMRN**) remain in uptrends above their 10-day moving averages however which bodes well for near-term upside potential.

Gilead (**GILD**) had fallen below its 50-day moving average however and we're removing the stock from our Suggested Holdings List as the RSI is now in negative territory as well.

Basic Material stocks are pulling back more than the markets this week led by Gold, Silver and other metals stocks. The decline is occurring amid news of negative output guidance from Barrick Gold (**GOLD**) which produces other metals in addition to gold. In fact, output is at a 22-year low.

Alcoa (**AA**) also reported lower than anticipated output with its earnings report today due to increased cost of raw materials such as Oil.

Rio Tinto (**RIO**) from our List remains in a confirmed uptrend as the stock is finding support at its 5-day moving average. We'll continue to monitor price action in this group.

Over the next two days, several Federal Reserve officials are due to speak publicly and we may see continued volatility depending on comments. Earnings season is also impacting the markets with Bank stocks among the weakest performers due to poor results. (using ETF **KRE**).

The position of the S&P 500 coupled with today's distribution day (identified as a decline on volume that's greater than the prior day) has us cautious on the near-term prospects of the markets.



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A move back above the 200-day moving average would have us reconsidering our position.

Warmly,
Mary Ellen McGonagle

P.S. For those who'd like to uncover trading techniques for stocks, options and futures, check out Chris Brecher's webinar tonight where he'll share his 3 favorite setups that he's been using for over 40 years! [USE THIS LINK HERE TO SIGNUP!](#)