



THE MEM EDGE

Midweek Report

Wednesday, February 1, 2023

- Federal Reserve Lifts Rates By ¼ Percent and Signals Ongoing Increases
- U.S. Employment Cost Index Slows But Remains High
- January Consumer Confidence Slips
- Private Sector Job Growth Slows In January While Job Openings Climb
- Weekly and Monthly Employment Numbers Due Tomorrow and Friday
- META Reports After Close Today, AAPL, GOOGL and AMZN Report On Friday

The S&P 500 has gained 1.2% for the week in a move that has this Index closing above the 4100 level which was a significant area of possible upside resistance. With the RSI and Stochastics in positive territory on both the daily and weekly chart, we're quite positive on the prospects for the markets to trade higher.

The Nasdaq has rallied 1.7% this week led by outperformance among Semiconductor, Retail and Software stocks. Most of the heavyweight FAANG stocks have underperformed ahead of the release of earnings from Alphabet, Apple, Meta and Amazon. over the next 2 days.

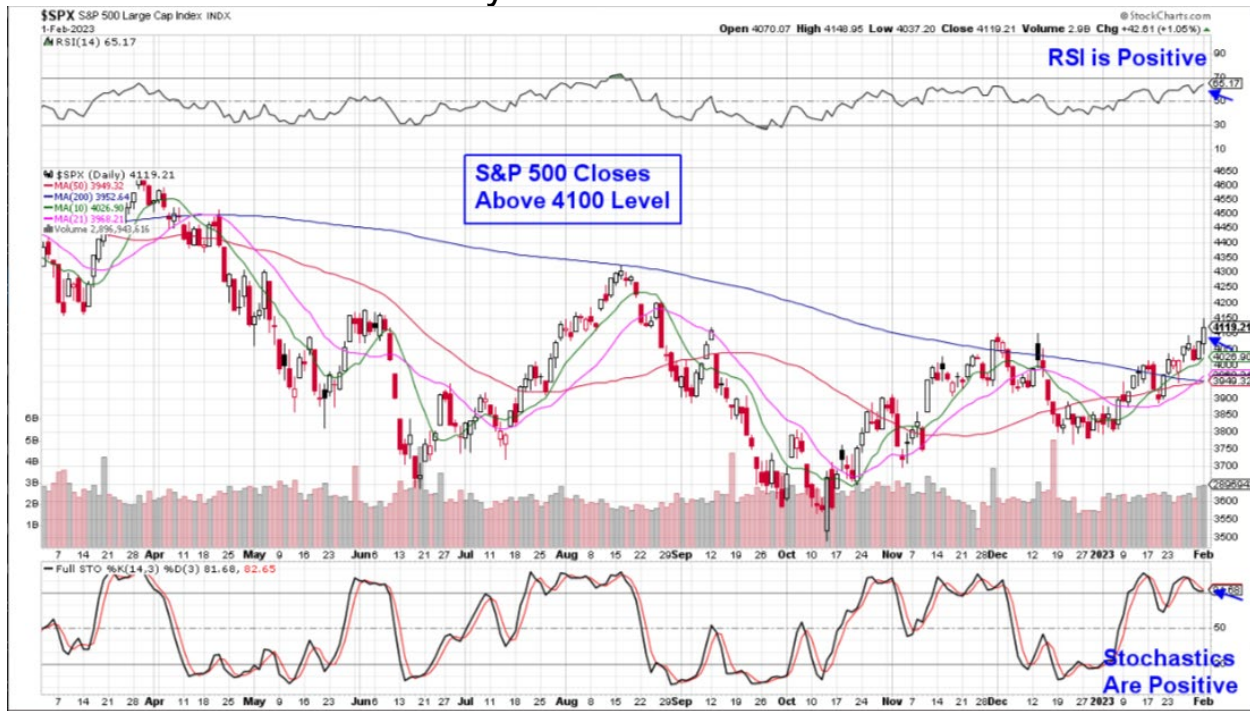
The Nasdaq is in a bullish position to trade higher as well, after this Index moved further above its 200-day moving average with its RSI and Stochastics in positive territory.



THE MEM EDGE

Midweek Report

Daily Chart of S&P 500



The markets began the week on a cautious note ahead of key economic data; however, yesterday's report of a slowdown in the Employment Cost Index sparked a rally that picked up much more steam after today's Fed meeting and press conference.

Most notable was Fed Chair Powell's comment that "we can now say for the first time that the disinflationary process has started".

This comment as well as the Fed's rate increase of 0.25% today pushed yields down considerably. As you may recall, lower interest rates are a positive for Growth stocks as it improves the value of their future earnings.



THE MEM EDGE

Midweek Report

Growth stocks were among the top performers today with Retail (XRT), Semiconductor (SOXX) and Software (IGV) stocks rallying sharply.

Energy stocks were the weakest performer however, as this sector fares poorly in a declining interest rates and inflationary environment.

Today, we're removing **SLB** and Haliburton (**HAL**) from our Suggested Holdings List as both stocks have been unable to sustain a rally since reporting strong earnings recently.

Tidewater (**TDW**) remains in a confirmed uptrend as this Small Cap company's focus on offshore marine support provides a more clear growth path for investors.

The stock is in a confirmed uptrend however, **TDW** is approaching an overbought position with its RSI. Until we see a negative MACD crossover, we remain constructive on the near term prospects for the stock.

Caterpillar (**CAT**) fell sharply this week after reporting earnings that were below estimates due to unfavorable raw material costs. In addition, CAT anticipates softer machine sales to China which pushed the stock lower.

Despite the news, the stock received price target upgrades from several respected Wall Street firms amid an anticipated global recovery outside of China. **CAT** can be bought on a move above its 10 and 21-day moving average.



THE MEM EDGE

Midweek Report

Semiconductor stocks received a boost today after Advanced Micro Devices (AMD) reported earnings that were slightly ahead of estimates. The news pushed Semiconductor stocks up over 5% today with the group moving further into positive territory. (SOXX)

We're using the November period as precedence of SOXX as a negative MACD crossover while the Index was in an overbought position was the initial signal of possible trouble. At this time SOXX remains in an uptrend.

Among Semi stocks on our List, Lattice Semi (**LSCC**) posted the largest gain with a 6.8% rally that pushed the stock out of a 6-week base on heavy volume. We'd be a buyer in the \$78 range - closer to its 5-day moving average. LSCC is due to report earnings later this month.

Nvidia (**NVDA**) rallied to a near-term high after pulling back to its 10-day moving average. The stock can be bought in the \$206 range which was its high in price earlier this week.

A S M L (**ASML**) is also in a buy zone after today's move above its 10-day moving average. A move above its late January high would put the stock into a strong buy zone.

Software stocks rallied on heavy volume today which helps make the case for further upside. This area of the markets had been held down for all of last year as higher interest rates impact this group the most. (IGV)



THE MEM EDGE

Midweek Report

Servicenow (**NOW**) and Adobe (**ADBE**) both outpaced the group with rallies on volume that point to further upside. Both stocks can be bought on a pullback to their 5-day moving average.

Among Retailers, Crocs (**CROX**) is in a strong buy zone following today's close above its 10-day moving average. Wingstop (**WING**) is also in a position to trade higher as it finds support at its upward trending 10-day moving average.

Biotechs are flat for the week however, both Biomarin (**BMRN**) and Pacific Biosciences (**PACB**) remain in uptrends. BMRN has shown that a pullback to its 10-day moving average is an ideal buy point while PACB closed above its 10-day moving average which puts it into a buy zone.

We anticipate that Growth stocks will continue to trade higher given the relatively positive remarks from Fed Chair Powell which resulted in interest rates trading lower. However, earnings reports from mega-cap Growth stocks over the next 2 days may produce speed bumps depending on their outlook on growth going forward.

Weekly and monthly employment reports over the next 2 days will also be closely watched. Overall however, a bullish bias is currently in place for the markets.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report