



# THE MEM EDGE

Midweek Report

Thursday February 2, 2023

- Unit Labor Costs Decline In 4th Quarter
- META Earnings Report Boosts Markets
- Growth Stocks Continue To Outperform
- Energy Sector Breaks Below Key Support
- Removing Haliburton (HAL), Tidewater (TDW) and Rio Tinto (RIO) From Suggested Holdings List

The S&P 500 and Nasdaq added to their weekly gains as a continuation rally took place following Fed Chair Powell's post meeting comments yesterday. Adding to the positive momentum was news that Unit Labor Costs for the 4th quarter came in lower than expected and declined relative to the 3rd quarter of last year.

Leading today's rally was sharp gains in each of the mega-cap FAANMG stocks following today's surprise earnings report from Meta Platforms (META). The news boosted other bellwether Growth stocks due to report after the close today.

Unfortunately, the good news from META did not carry into Amazon (AMZN), Apple (AAPL) and Alphabet (GOOGL)'s earnings with each of these stocks down an average of 3.5% after disappointing results.

That said, today's rally in Software, Semiconductor and Retail stocks points to a continued risk on sentiment among investors as Growth stocks remain the favored area amid lower interest rates. Areas that underperform in a declining rate environment



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continued to come under selling pressure with Energy stocks falling 2.3% today on above average volume.

The decline pushed this sector below its key 50-day moving average in a move that has us removing the remaining Energy stocks on our List. This would include Haliburton (**HAL**) and Tidewater (**TDW**) which both saw selling on above average volume today.

On a positive note, the number of base breakouts among stocks expanded today which is a hallmark of a confirmed uptrend in the markets.

Today we're adding General Motors (**GM**) and Chewy (**CHWY**) to our Suggested Holdings List following base breakouts that occurred on above average volume amid analyst upgrades. Both stocks are extended following today's rally and can be bought on a pullback to their 5-day moving averages.

We anticipate adding more stocks over the weekend as the markets continue to broaden out; however, today's mixed results from heavyweight Growth stocks may put a pause to this week's strong gains.

Investor's response to the reports as well as guidance will be very telling as a positive response would point to a bullish sentiment that's able to override weaker than expected results.

Of stocks already on our Suggested Holdings List, Pacific Biosciences (**PACB**) is poised to break out of a 2-week base at



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\$12.5 while Nvidia (**NVDA**) and ServiceNow (**NOW**) are in confirmed uptrends.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report