



THE MEM EDGE

Midweek Report

Wednesday, February 8, 2023

- Consumer Credit Drops To Levels From 2 Years Ago
- Fed Comments Move Markets This Week
- Riskier Areas Pull Back Amid Lack Of Economic Data
- Weekly Employment Data Tomorrow and Consumer Sentiment & Phila. Fed President Due To Speak On Friday

The S&P 500 has lost 0.5% for the week in a move that puts this Index at its 10-day moving average. With the RSI and Stochastics in positive territory, we remain constructive on the prospects for the broader markets.

However, we're also keeping a close eye on the level of the S&P 500 as a close below the 4100 level would point to further possible downside and the 21-day moving average is the next area of possible support. This moving average is 2% away.

The Nasdaq pulled back a bit more with a 0.7% loss for the week in a move that puts it closer to its 10-day moving average which is the first area of support and is 0.9% away.

Semiconductor stocks fell the most amid a pullback in Technology today while riskier Biotech and Small Cap stocks also sold off more than the markets. The risk off appetite among investors did not spread to all of the FAANMG stocks however as most continue to outperform the broader markets.



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Daily Chart of S&P 500 INDEX



As noted in our Sunday Report, we were anticipating a pullback this week given the healthy gains in many Growth stocks in January. With the lack of concrete economic data being released, more weight is being given to mixed comments from Federal Reserve officials.

While yesterday's remarks from Fed Chair Powell reiterating that deflation has begun helped boost the markets, today's comments from N.Y.'s Fed Chief that interest rates will need to be elevated for years, pulled the markets down.

We anticipate that the markets will continue to struggle due to a lack of economic data along with mixed earnings reports.



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Among stocks on our List, Biotech firm Pacific Biosciences (PACB) fell sharply today after a downgraded outlook from Wall Street due to increased competition among the gene sequencing market. We're removing the stock from our Suggested Holdings List after PACB's RSI turned negative.

Retail stocks are struggling this week (using ETF XRT) and yesterday's late news that consumer credit has dropped to a 2-year low, created further weakness.

Shoe retailer Crocs (**CROX**) from our List continues to drift lower ahead of the release of their earnings next Thursday. We would not be a buyer on this pullback but instead, are on the lookout for a move back above its 10 and 21-day moving averages to signal a new uptrend. However, if the RSI turns negative for the stock, we anticipate removing **CROX** from our Suggested Holdings List. Wingstop (**WING**) from our List is pulling back as well hurt by a negative earnings report from peer restaurant stock Chipotle (CMG). WING can be held ahead of the release of their earnings later this month.

Elsewhere in Growth, Semi stocks have pulled back amid mixed earnings reports. The group remains in an uptrend however with pullbacks this week occurring on below average volume. (using SOXX).

Nvidia (**NVDA**) and Lattice Semi (**LSCC**) remain among the strongest Large Cap semis while A S M L (**ASML**) resumed its market performing ways with a pullback today that was in line with the group. Each of these stocks can be held.



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General Motors (**GM**) is forming a bullish high tight flag formation with positive momentum indicators. A close above \$42 (the top price of its flag) would be bullish for the stock.

Recently added Meta Platforms (**META**) fell sharply today on news from Microsoft (MSFT) that they'll be adding an OpenAI product that could upend the search and advertising business. Alphabet (GOOGL) fell even further on the news.

We're on the lookout for META to hold the \$180 level which is the low in price on last week's gap up. Ideally, you want a stock to retain a presence above the gap in price so that it can easily trade higher.

While we remain constructive on the prospects for the broader markets, the more cautious tone which was highlighted by a pullback today in riskier Biotechs, Small Caps and Technology has us inclined to hold off from initiating new positions.

We'll alert you to any shift in sentiment as the week progresses.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report