



THE MEM EDGE

Midweek Report

Tuesday, February 21, 2023

- Nasdaq and S&P 500 Enter A Downtrend
- Weak Forecast From Home Depot (HD) and Walmart (WMT) Sinks Stocks
- PMI Data Today Shows Economic Growth Amid A Buoyant Labor Market
- Interest Rates Spike As Rate Hike Fears Remain
- FOMC Meeting Notes Released Tomorrow Afternoon
- Nvidia (NVDA) Due To Report Earnings After Close Tomorrow

The S&P 500 lost 2% today in a move that has pushed this Index within ½% of its key 50-day moving average. In addition, the RSI is now in negative territory where it joins an already negative Stochastics on the daily chart.

The Nasdaq fell a bit further in a move that puts this Index closer to its key 200-day moving average which is a critical area of possible support, and is 0.9% away.

The RSI and Stochastics are now in negative territory for the Nasdaq. As we've been highlighting in recent reports, a simultaneous negative signal on the daily chart has historically pointed to a pullback that tends to be longer lasting.

Below is the 3-year daily chart of the Nasdaq with percent losses from the peak to trough periods when the negative momentum



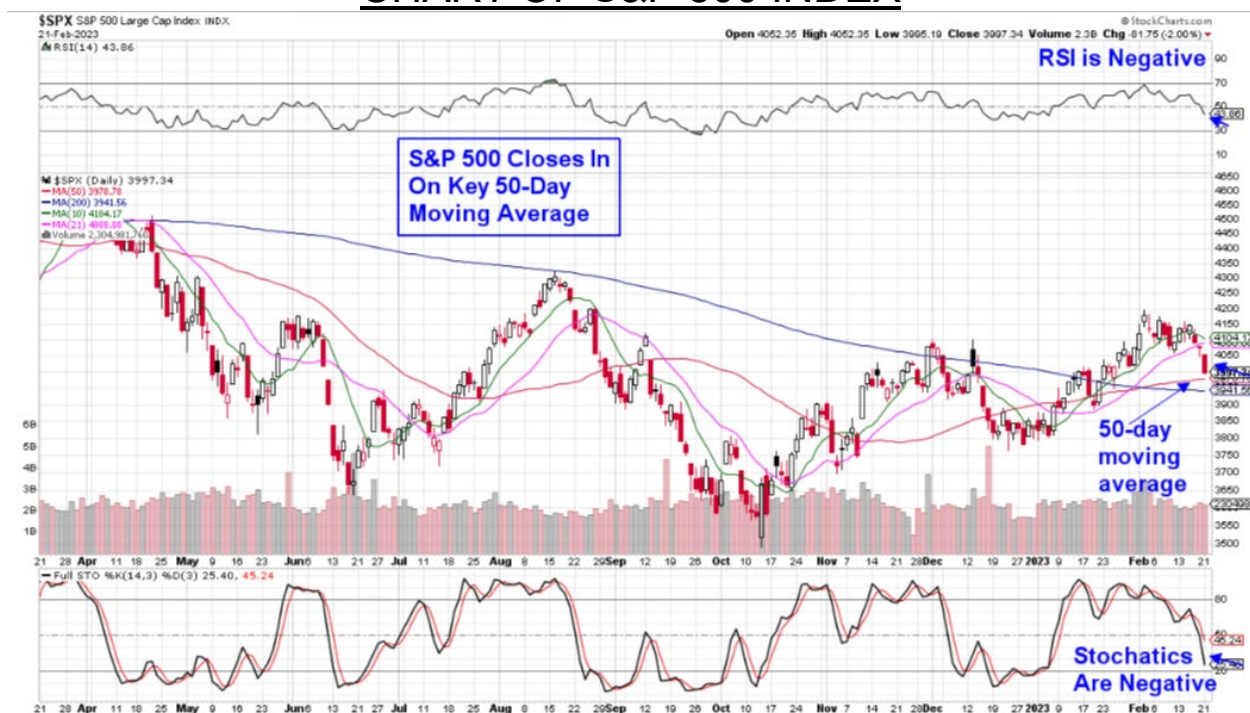
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shift occurred. (The bear market period of the first 3 quarters of this year is not included.)

One caveat at this time is that unlike prior periods on the 3-year chart, the markets are reacting strongly to economic and inflation data as well as impactful earnings reports. While there's a small possibility of a reversal this week, prudence would suggest that you lighten up on Growth stocks.

CHART OF S&P 500 INDEX



Hardest hit this today were Retail stocks following earnings reports from both Walmart (WMT) and Home Depot (HD). Home Depot warned of earnings losses this year while Walmart's



management was cautious after reporting earnings ahead of estimates.

Among Retail stocks on our List, Crocs (**CROX**) was hardest hit with a 9.7% decline that occurred on above average volume. The loss took place amid a lack of news; however, it was in line with other stocks that rallied strongly on earnings last week. (FSLY, CYH, ROKU to name a few.)

Other areas of Growth also came under distribution with Semiconductor stocks falling 3.2% in a move that puts the RSI into negative territory while breaking below its 21-day moving average. This puts the group into a near-term downtrend. (using ETF SOXX).

Lattice Semiconductor (**LSCC**) fell further than the group - in line with recent earnings winners such as MPWR - and the decline pushed the RSI into negative territory. We're removing LSCC from our Suggested Holdings list as near-term, it's poised for further downside. Longer term, the weekly chart remains constructive and longer term investors can remain with the stock.

Driving market sentiment today was continued fears of a prolonged rate hike cycle by the Federal Reserve in a shift that materialized last week. Today, the yield on the 10-year Treasury advanced to 3.95 as it moves closer to the closely watched 4% level.

Tomorrow's release of notes from the Federal Reserve's latest meeting may quell investor's nerves depending on the tone as well as any hints of projected rate hikes going forward.



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In the meantime however, we will take action as needed on signals that are presented.

Our Midweek Report tomorrow will elaborate further on the condition of the markets as well as stocks on our List.

Warmly,
Mary Ellen McGonagle

CHART OF \$COMPQ

