



Wednesday February 22, 2023

- FOMC Meeting Notes Hold No Surprises
- Select Stocks Rally On Strong Earnings
- Q4 GDP and Weekly Jobless Claims Tomorrow
- Core PCE, Consumer Sentiment & Consumer Spending Report On Friday
- Nvidia (NVDA) Posts Sharp Gain After Hours On Strong Earnings
- Removing Caterpillar (CAT) From Suggested Holdings List

The S&P 500 is down 2.3% for the week in a move that puts this Index within 0.3% of its 50-day moving average. With the RSI and Stochastics in negative territory on the daily chart, the markets are in a near-term downtrend. A close below the 50-day moving average would point to further downside.

The Nasdaq has lost 2.5% so far this week which has pushed this Index close to its 200-day moving average which is 0.8% away. A close below this key moving average would point to further near-term downside.

As noted in yesterday's Tuesday Alert Report, the RSI and Stochastics for the Nasdaq are now in negative territory which historically precedes a relatively longer pullback. This negative momentum is also present in the S&P 500.



THE MEM EDGE

Midweek Report

However, unlike prior periods when this simultaneous move of both the RSI and Stochastics into negative territory precedes a relatively longer-term pullback, the markets are currently reacting strongly to economic and inflation data, as well as impactful earnings reports.

These are market moving events and despite our negative bias over the near-term, we are on the lookout for the possibility of data that may shift sentiment back to a positive bias.

Today's after hours earnings report from Nvidia (**NVDA**) from our List may certainly provide a push higher in the markets as the stock is trading 8.5% higher after reporting strong results. A muted response to these strong earnings during tomorrow's trading would underscore a generally negative sentiment among investors.

A close back above the 10 and 21-day moving averages for both the Nasdaq and S&P 500 would put these Indexes back into an uptrend.



THE MEM EDGE

Midweek Report

DAILY CHART OF S&P 500 INDEX



Today's markets were dominated by the release of notes from the Federal Reserve's last meeting which proved to be anticlimactic, as no new information was revealed. Overall, the notes suggested another quarter-point hike as likely at the next FOMC meeting in four weeks.

Some of the largest gainers today rallied on news of strong earnings reports. This would include Wingstop (**WING**) from our List which gapped up as much as 16% on strong earnings before settling at a 7.7 gain for the day.

The high volume on today's rally points to further near term upside for WING with the market's backdrop being the only possible hindrance.



THE MEM EDGE

Midweek Report

Crocs (**CROX**) regained its upside momentum with a close back above its 10 and 21-day moving average on above average volume. CROX is also poised for further upside.

Elsewhere on our List, Discretionary stocks O'Reilly (**ORLY**) and General Motors (**GM**) are both pulling back on above average volume and remain above their 21-day moving averages which is quite constructive.

Caterpillar (**CAT**) from our List has closed below its 50-day moving average with both the RSI and MACD now in negative territory. We're removing the stock from our Suggested Holdings List. Tomorrow, adjusted 4th quarter GDP numbers will be released and most closely watched will be consumer spending revisions as this data is a harbinger to inflation trends.

Friday may present us with the most impactful reports, with the Federal Reserve's most closely watched Core PCE data on tap. Investors will be on the lookout for a continued slowdown in the year over year percent change which showed a slowdown in January.

While we've highlighted stocks as being poised to trade higher, caution is advised regarding new positions given the weight of data that's due to be released over the next 2 days.

As usual, we will alert you to any shift in sentiment tomorrow should that take place.

Regards,
Mary Ellen McGonagle
Editor, MEM Edge Report