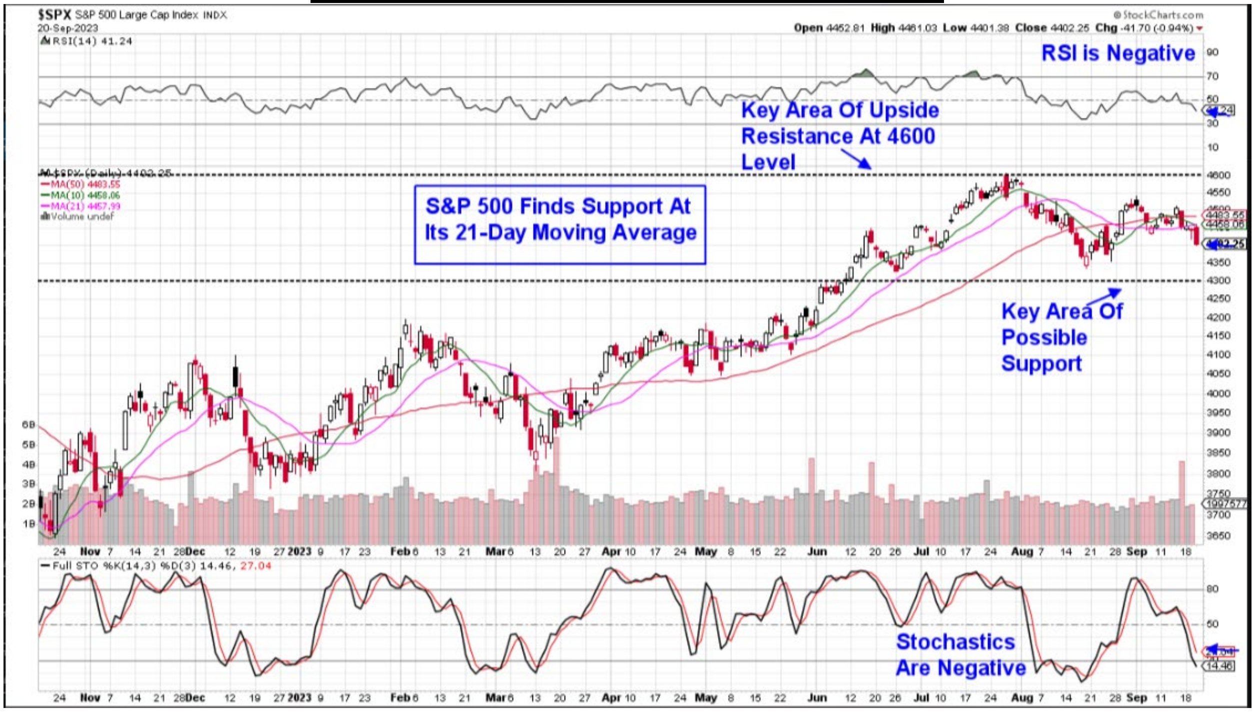
THE MEM EDGE
Midweek Report

Wednesday, September 20, 2023

- Federal Reserve Hints At Further Rate Hikes
- Housing Starts Drop 18% In August
- Builder Confidence Falls To 5 Month Low As Mortgage Rates Climb Above 8%
- Flash PMI Data and Several Fed Governor's Comments Will Be Released On Friday
- Removing Matador Resources (MTDR) From Suggested Holdings List

<u>DAILY CHART OF S&P 500 INDEX</u>



The S&P 500 is down 1.1% so far this week in a move that has this Index closing below its 21-day moving average which was the last moving average area of possible support. This puts the key 4300 level in focus as the next area of possible support which is 2.4% away.

As mentioned, a close below this level would be quite negative for the markets.

With the RSI and Stochastics in negative territory, we remain negative on the near term prospects for the S&P 500. The intermediate term outlook remains constructive, as the RSI is still in positive territory on the weekly chart.

The Nasdaq is down 1.7% which moves this Index closer to its next area of possible support at its late August low which is now 1.7% away. With the RSI and Stochastics in negative territory, we remain negative on the near term prospects for the Nasdaq as well.

The markets were mostly flat going into today's Federal Reserve meeting however, Fed Chair Powell's comments pushed the markets down, as his warning that higher oil prices could cause inflation to re-accelerate were digested. Other remarks made it clear that the Fed is remaining in a wait and see mode regarding future rate hikes as further economic data is released. Overall, investors concluded that we may see elevated interest rates for a while.

In response, Growth stocks were down the most today with mega cap names Alphabet (GOOGL), Microsoft (MSFT), Apple (AAPL), Meta (META), Tesla (TSLA) and Amazon (AMZN) each underperforming. Semiconductor stocks also fell further than the markets. Weakness in these names has pushed most of them below their key 50-day moving averages.

Defensive areas of the market outperformed with Staples, REITs, Utilities and Healthcare stocks flat to up slightly today.

Energy stocks pulled back as well, with the group down 1.8% despite oil prices remaining elevated. Among names on our List, Matador Resources (**MTDR**) is down the most with a sharp pullback that has the stock closing below its 50-day moving average despite analyst upgrades this week. In addition, the RSI is now in negative territory and we're removing the stock from our Suggested Holdings List.

Pioneer Natural (**PXD**) also has a negative RSI however, the stock is finding support at its 50-day moving average. Reducing exposure would be prudent and we'll review the PXD's position at the end of the week to determine whether to remove it.

Both MTDR and PXD are in the Oil & Gas Exploration and Production industry which is experiencing the most weakness this week.

Helmerich & Payne (**HP**) and SLB (**SLB**) both remain above their shorter term moving averages with a positive MACD and RSI and the stocks can be held.

Software stocks moved further below its 50-day moving average after this week's 1% decline; however, Adobe (**ADBE)** has gained 1.5% in a move that has the stock close to regaining its 21-day moving average. A move above its 10-day mav would put the stock back into an uptrend.

ADBE has been the top performer among mega-cap Software stocks this week and its positive price action has the stock on track to continue to outperform once market pressures subside.

ServiceNow (**NOW**) has dipped below its 50-day moving average with a now negative RSI. The stock exhibited similar price action during its August pullback however, similar to that period, the weekly chart has a positive RSI.

Longer term investors can stay with NOW however, shorter term investors may want to trim positions due to its near term weakness.

Uber Technologies (**UBER**) has pulled back to its 21-day moving average with a positive RSI and MACD and the stock can be held.

Semiconductor stocks remain in a downtrend with this week's 2% decline putting the RSI into negative territory on its weekly chart. (using SOXX). The dip below 50 for the RSI cloudies the longer term, intermediate outlook and we'll monitor this into the weekend.

Alphabet (**GOOGL**) closed pulled back below its 21-day moving average on relative high volume. We would not be a buyer on this pullback as the RSI is poised to turn negative on the daily chart. The longer term, weekly chart remains constructive.

Today's negative response to Powell's comments implies that investors are worried that we may see interest rates remain elevated for a bit longer than anticipated. While the Fed chief said that policymakers can proceed carefully in potentially raising rates again, he also stated that one more hike would not be a big deal for the economy.

The mixed signals mean more scrutiny of every economic data point and over uncertainty which is not good for the markets.

Historically we've seen reversals in the market's original response to FOMC meeting notes and tomorrow we may see the same. Overall however, the near term markets remain weak.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report