



THE MEM EDGE

Midweek Report

Wednesday, September 27, 2023

- Price Of Oil Nears \$94 Per Barrel Before Pullback
- Yield On 10-Year Treasury At 4.6% Level
- New Home Sales Drop 8% In August Amid High Mortgage Rates
- Consumer Confidence Drops To 4-Month Low
- Fed Chair Powell Speech, Weekly Jobless Claims & Revised Q2 GDP Tomorrow
- Personal Consumption Expenditures(CPE) Data On Friday

DAILY CHART OF SPX



The S&P 500 is down 1.1% for the week in a move that has this Index now below the 4300 level which was a key level of possible support. The RSI and Stochastics remain in negative territory which keeps our near term outlook on the markets as negative.



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Today, the markets reversed their original pullback to end flat and while this price action is viewed as positive, we'll need to see a close of the S&P 500 back above at least the 21-day moving average with a positive RSI before turning positive on the near term prospects for the markets.

The Nasdaq fared a bit better with a 0.9% loss however, this Index is also below key possible support with a negative RSI and Stochastics.

The Nasdaq was aided by a rally in select Semiconductor stocks such as heavyweight Nvidia (NVDA) which has gained 2% on relatively light volume.

While the RSI is approaching 50 as it trends higher, we'd need to see a decisive close above its 50-day moving average with the RSI and MACD in positive territory before adding to any position. For precedence, I've included the chart below which highlights the late January period when we first added the stock to our Suggested Holdings List.

At that time, the Nasdaq was also in a new uptrend as were Semiconductor stocks (SOXX). Both are currently in a downtrend.

Software stocks are also in a downtrend however, select areas such as Security related names are outperforming following news earlier this month that Clorox (CLX) was the latest victim of a cyberattack.



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Those names that hold up relative to their peers, will often go on to be leadership names once market and group pressures are removed. We have Software Security stocks Palo Alto (PANW) and CrowdStrike (CRWD) on our Watch List.

Retail stocks received a boost from Costco (COST) which posted a bullish engulfing pattern today where the price trades lower than prior day's low and closes above prior day's high. COST closed back above its 50-day moving average as well, after posting positive quarterly results.

Elsewhere in Retail, former leadership names such as Abercrombie (ANF) and Wingstop (WING) and American Eagle (AEO) have regained their uptrends. While encouraging, the Retail group overall remains in a confirmed downtrend (using ETF XRT) led lower by Amazon (AMZN) and Tesla (TSLA) which are both underperforming this week.

Energy stocks are outperforming as the price of oil remains elevated following the Energy Information Administration (EIA)'s announcement today that crude inventories fell by 2.2 million barrels last week.

Schlumberger (**SLB**) and Helmerich & Payne (**HP**) were both propelled into a strong buy zone after closing above their 10-day moving averages with a now positive RSI. The gains occurred on above average volume which is bullish.



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While the broader markets remain in an uptrend, select Energy stocks such as those on our List can be bought as we've experienced periods where oil related stocks can outperform while the broader markets are negative. The 2022 bear market is an ideal example as we highlighted names such as OXY which was the top performing stock for that year.

Among the mega-cap FAANMG names, Alphabet (GOOGL) is faring the best with a slight gain that has the stock hovering around its 50-day moving average. The stock can be held.

Caterpillar (CAT) is experiencing similar sideways price action around its 50-day moving average and the stock can be held.

Bond yields continue to create angst among investors with the yield on the 10-year Treasury now at 4.65% - its highest level since October 2007. Last week's meeting has investors betting that the Fed will leave interest rates elevated due to sticky inflation and the uptick in the price of oil is not helping quell those fears.

Tomorrow, Fed Chair Powell will be speaking at a Town Hall for educators and any interest rate related comments are expected to be market moving. Friday will prove to be the real test however as the Fed's preferred inflation gauge - CPE data - will be released before the markets open.



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Any hint that inflation is decelerating could easily push this market higher after successive days of selling have put the markets into an oversold position.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report

DAILY CHART OF NVIDIA

