



# THE MEM EDGE

Midweek Report

Wednesday, October 4, 2023

- Energy Sector Tumbles As Gas Inventory Builds
- Higher Yielding Utilities, Staples & REITs Continue To Suffer
- Private Job Growth Well Below Forecast For September
- Elevated Interest Rates Pause Midweek - Select Areas Rally
- September Employment & Wage Data Due Friday
- Removing Helmerich & Payne (HP) From Suggested Holdings List

## DAILY CHART OF S&P 500 INDEX



The S&P 500 has pulled back 0.6% so far this week in a move that keeps this Index below the key 4300 level with the RSI and Stochastics in negative territory. We remain negative for the near term prospects for this Index.



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Should we see further downside, the 200-day moving average is the next area of possible support and is 1.4% away.

As for possible upside resistance on any rallies, the 10-day moving average is the first area and it's 0.6% away. A close above this moving average would set the stage for the beginnings of a possible downtrend reversal. Until then, the near term downtrend for the S&P 500 remains firmly in place.

The Nasdaq is faring better, with a gain (+0.1%) that has this Index back above key possible support at 13200 as well as its 10-day moving average. While the RSI and Stochastics are in negative territory, they're heading upward on the daily chart.

The Nasdaq is being boosted by outperformance in each of the mega-cap FAANMG stocks led by both Tesla (TSLA) and Alphabet (GOOGL) which have gained an average of 4% for the week.

Interest rates continue to take center stage this week with a surge in yields keeping stocks under pressure on Monday and Tuesday, before a weaker than expected private jobs report paused rates today and the markets rallied.

Mega-Cap Growth stocks have shown strength throughout the week however, with both Tesla (**TSLA**) and Alphabet (**GOOGL**) now trading above each of their moving averages with a positive RSI that puts them in a buy zone. Meta (**META**) is in a similar - yet less dynamic - position.



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The move into these high profile Growth stocks ahead of the markets turning positive is reminiscent of the March period when Microsoft (**MSFT**) and Alphabet (**GOOGL**) turned bullish before the S&P 500's downtrend reversal in late March. Nvidia (**NVDA**) and Apple (**AAPL**) never turned negative.

This relative outperformance during a difficult March period for the markets, set these select FAANMG stocks up to become leadership names once market pressures lifted.

The Technology sector is outperforming again this week with a 0.6% gain that has it closing above its 10-day moving average with the RSI and Stochastics trending upward toward positive territory. We've included a daily chart of this sector below where we highlight the Tech sector's outperformance before the broader markets turned positive in March of this year.

The key difference at this time is that the Semiconductor and Software groups need to close above their shorter term moving averages with a positive RSI and MACD to provide a needed boost which was present in early March.

Energy stocks are tumbling this week despite oil prices remaining elevated. The decline is taking place amid reports of reduced gasoline demand in the U.S.

As cited in our Sunday Report from September 24th, higher oil prices eventually led to reduced gas consumption which was why Energy stocks were not trading higher at that time.



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Helmerich & Payne (**HP**) has fallen with other stocks in this group and today's close below its 200-day moving average has us removing the stock from our Suggested Holdings List.

While we've highlighted names such as Alphabet (GOOGL) from our List as being in a buy zone, we strongly suggest waiting for the broader markets to turn positive before entering a new position. This Friday's employment numbers may come in stronger than expected and in turn, push the markets lower.

Instead, we'll continue to broaden out our Watch List beyond Adobe (ADBE) and Nvidia (NVDA) which are on our Long Term Hold List, to include select Software and Semiconductor stocks that are firming up ahead of a new uptrend in the broader markets.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report





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## Chart of Technology Select Sector SPDR Fund (XLK)

