



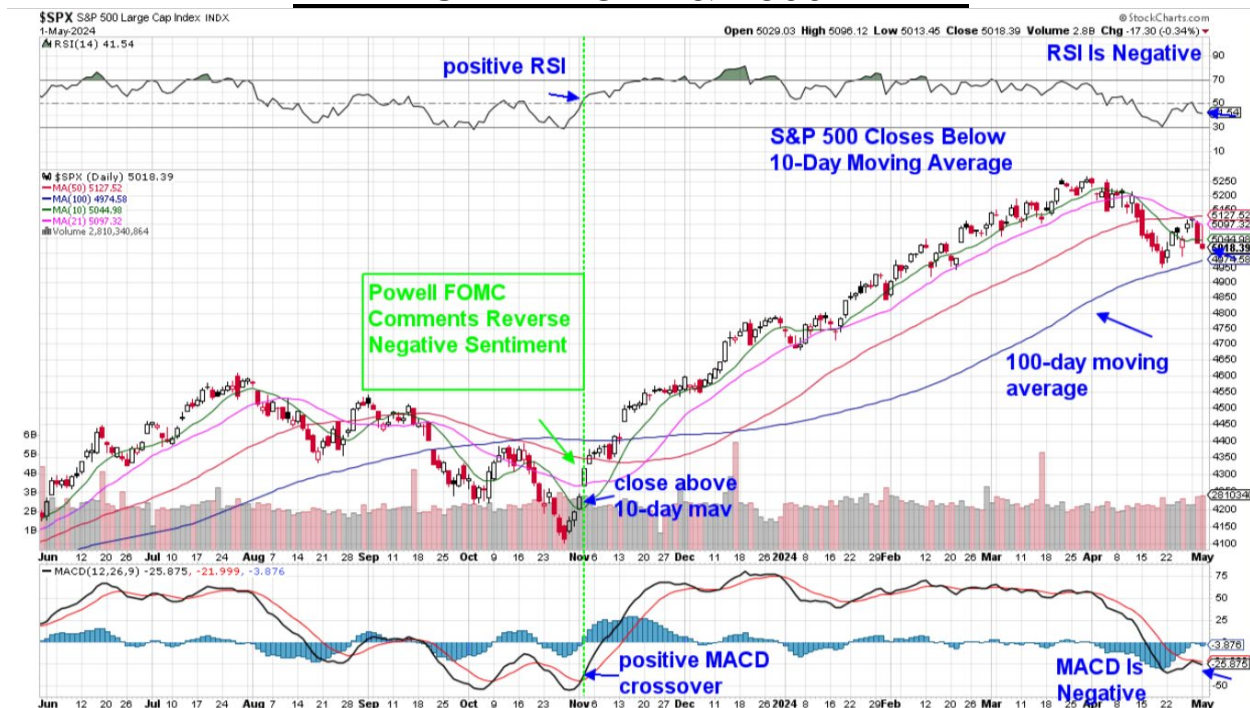
# THE MEM EDGE

Midweek Report

Wednesday, May 1, 2024

- Federal Reserve Keeps Rates Steady But Eases Policy Slightly
- Employment Cost Index Rises In 1st Quarter
- April Employment Data Due Friday
- S&P 500 Remains In Downtrend
- Weak Sales In SMC I Hurts AI Stocks Today
- Adding Duke Energy (DUK) and Removing Occidental Petroleum (OXY)

## DAILY CHART OF S&P 500 INDEX



The S&P 500 has lost 1.6% so far this week in a move that has this index closing below its key 10-day simple moving average.



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With a negative RSI and MACD, this keeps the near-term downtrend in place.

On any rally attempt, the 10-day moving average becomes the first area of possible upside resistance and it is 0.5% away. On any further rally attempts, the 50 day simple moving average remains the next area of possible upside resistance which is 2.1% away.

The NASDAQ has lost 2% in a move that has this index closing below its key 10-day simple moving average and further below its key 50-day simple moving average. With the RSI and MACD in negative territory, the downtrend for this Index remains in place.

The focus this week has been on today's Federal Reserve meeting. While the announcement that they'll be keeping rates steady was no surprise to investors, comments after their FOMC meeting where Powell stated that a rate hike is "unlikely", initially sparked a rally

News that the Fed is reducing the amount of bonds it replaces each month was also viewed as a positive.

The initial rally was short-lived however, with selling into the close that hit Growth stocks the hardest. Semiconductor stocks in particular were hit hard and the group is now down 4.7% for the week and in a move that pushed the RSI into negative territory which keeps its downtrend firmly in place.



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More defensive areas of the market continue to outperform led by 1.8% rally in Utility stocks followed by outperformance in both Healthcare and Staples.

The Utility sector broke out of a 10-month base today and coupled with a bullish monthly chart which bodes well for the longer-term outlook for this group, we're adding Duke Energy (DUK) to our Suggested Holdings List.

Today, **DUK** broke out of a 4-month base on above average volume. The 4.1% rally is due to report their earnings next Tuesday. The advance in the stock can be attributed to the power needs of AI data centers which is driving electricity growth projections to rise for the first time in about 30 years. Given the weakness in the broader markets, we would begin any new position lightly.

While earnings reports continue to take center stage, results from Amazon (**AMZN**) were muted. The company's sales and earnings exceeded expectations however, AMZN gave lighter than expected sales forecast for the June quarter

Apple (AAPL) is due to report results tomorrow.

Merck (**MRK**) from our list pulled back from last week's gains which followed news that its cancer drug Keytruda pushed earnings and sales higher than expected. All the stock has found support at its upward trending 10-day simple moving average, broader Market weakness would have us not adding to any new positions at this time.



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Boston Scientific (**BSX**) pulled back from last week's 9% rally on earnings that were ahead of estimates due to strong sales of their cardiovascular products. The stock is in a similar position in that it's finding support at its upward trending 10-day simple moving average BSX can be held.

**FTAI** has gained 3.5% amid Wall Street price target upgrades after last week's earnings release. The stock remains in an uptrend with a positive RSI and MACD and FTAI can be held.

Energy stocks are among the weakest performers with a 3.9% loss amid news of an inventory buildup of oil. Occidental Petroleum (**OXY**) from our list has pulled back more than the group in a move that puts this stock just at its 50 days simple moving average. However with its negative RSI, we're removing the stock from our Suggested Holdings List.

Among The Magnificent Seven stocks, Alphabet (GOOGL) has been one of the weakest with a 4.7% pullback that has the stock close to closing its gap up in price which would be a negative. GOOGL remains in an uptrend however with a positive RSI and MACD and the stock can be held.

Volatility in the markets is expected to remain elevated with the next key data point being Friday's employment data for April. While today's selling into the close implies that investors are anticipating an elevated interest rate environment for longer, the employment figures will certainly provide more color.





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We remain cautious on the near-term prospects for the markets.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report

## DAILY CHART OF NASDAQ COMPOSITE

