



# THE MEM EDGE

*Midweek Report*

Wednesday August 10, 2022

- Nasdaq Exits Bear Market Status
- CPI Report Comes In Below Estimates/ Core CPI Remains High
- PPI, Initial Jobless Claims, Thursday
- SF Fed President Mary Daly Speaking Thursday
- Euro-area industrial production, Friday
- US University of Michigan Consumer Sentiment, Friday

Greetings!

The S&P 500 has gained 1.6% following today's rally. The move puts this Index above its near-term resistance at 4170 which keeps the near-term uptrend intact. A continuation rally above this level will provide confidence that an intermediate uptrend is in place.

Longer term, the next area of possible upside resistance for the S&P 500 is 4300 and a move above this level would reverse the current bear market downtrend.

The Nasdaq has gained 1.6% for the week after today's 2.9% rally helped this Index recover from yesterday's losses in many Growth stocks after a downbeat outlook from a major Semiconductor firm as well as news that labor costs increased in Q2.

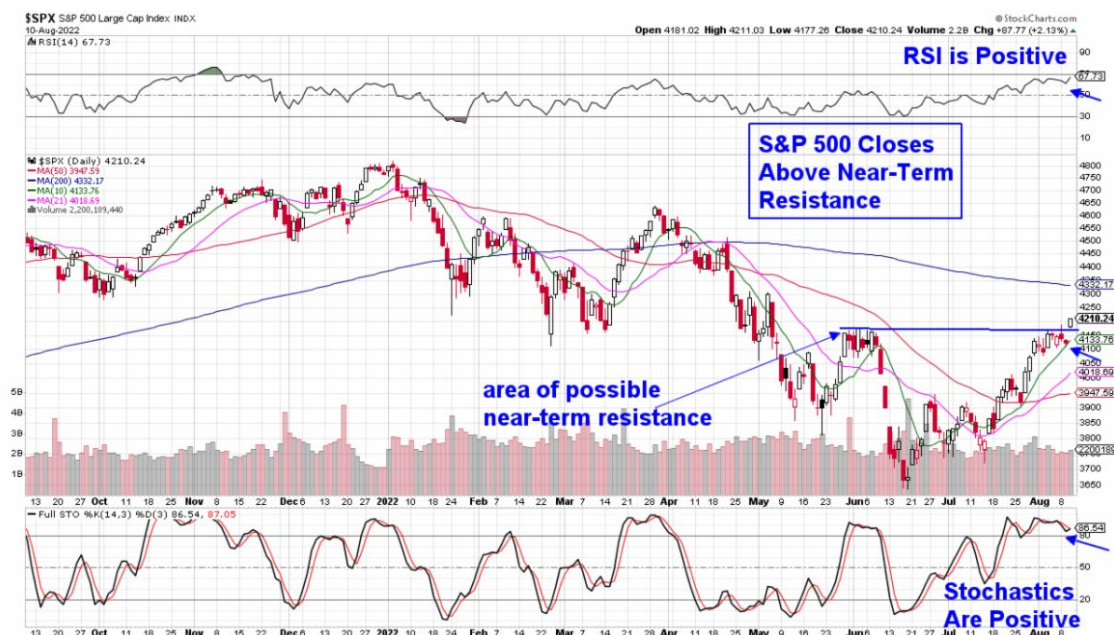
Today's rally in the Nasdaq was enough to push this Index out of bear market status as it's now 20% above its mid-June low. While not universally accepted, generally a move of this magnitude above a near-term bottom is viewed as the end of a bear market phase.



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## DAILY CHART OF S&P 500 INDEX



The positive price action in the market today followed news that the consumer price index (CPI) was unchanged in July compared to a 1.3% gain in June. In addition, the 12 month rate of inflation fell to 8.5% vs June's high of 9.1%. A sharp drop in the price of energy was the primary driver.

The news had traders reducing their outlook for September's rate hike from 0.75% to 0.5%. A slower pace of rate hikes would lower recession fears.

Tomorrow, additional inflation data will be revealed with the July producer price index (PPI) due to be released. The median estimate for this number is a 0.2% increase which is far lower than June's uptick in producer prices.

Growth stocks were most positively impacted today with Semiconductors regaining most of their losses from earlier in the week while Software stocks also outperformed the markets. Both areas were up on above average volume which is constructive.



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Renewable Energy Equipment remains a top performer within Technology as strong earnings and possible government funding going forward continue to boost these stocks.

Sunpower (**SPWR**) from our List has broken out of a 1-month base today on above average volume that bodes well for a continuation rally. As stated over the weekend, we're using the October into November '21 rally as precedence where a pullback to the 5-day moving average was an ideal buy point.

In addition, a MACD crossover on the daily chart preceded the uptrend reversal in November and at this time, we are not in a position for that to occur.

Enphase (**ENPH**) pulled back earlier in the week as profit taking ensued following the 35% gain in this stock over the past few weeks. The stock has moved back above its 10-day moving average and into a buy zone following today's rally.

Elsewhere in Tech, each of the Semiconductor stocks on our List has rallied back to their 10-day moving averages. A break above this level for Onsemi (ON) at \$66, Nvidia (NVDA) at \$183 and Lam Research (LRCX) at \$504 would put these stocks into a buy zone.

Among Software, both Intuit (**INTU**) and Paycom (**PAYC**) remain in uptrends with INTU experiencing a gap up on volume today after the announcement of a new CEO.

Today, we're adding ServiceNow (**NOW**) from our Watch List to our Suggested Holdings List after today's 10-week base breakout on volume. NOW is in a buy zone with the next area of upside resistance being its 200-day moving average which is 5.2% away.

Consumer Discretionary stocks bounced back from yesterday's pullback as well with Amazon (**AMZN**) regaining its 5-day moving average. The stock is 1.9% away from a break back above its 200-day moving average and a move above this mav on volume would put the stock in a strong buy zone.

Chipotle (**CMG**) is a bit extended following this week's 3.6% gain. The stock can be bought in the \$1621 range as its uptrend remains in place.

The markets exhibited bullish price action today however, tomorrow's inflation data will be closely watched as will comments from SF Fed Chair Daly for insights into the Fed's stance on raising interest rates.



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Employment and Consumer Sentiment Data being released over the next 2 days may also cause volatility.

With the Nasdaq rebounding 20% from its recent lows, we will continue to expand our list of buy candidates however, it will be with a dose of caution. Below is a chart from Dow Jones Market Data which provides percent change numbers in the Nasdaq from their bull market entry using the 20% rule.

Please note the 1/18/2001 and 12/16/2008 return numbers 3 months after the clinical bear market end and you'll see losses of 24.9% and 11.7% respectively.

I'm highlighting those 2 dates as I remember clearly that they were both failed follow-through day attempts where the markets had another leg down before turning bullish according to the O'Neil methodology.

I'll elaborate further in our Weekly Report this Sunday.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Investment Research

| Nasdaq Composite Performance following Bull Market Entry |                |                 |                    |                  |                |                   |                  |
|--|----------------|-----------------|--------------------|------------------|----------------|-------------------|------------------|
| Exit Bear Market Date                                    | One week later | One month later | Three months later | Six months later | One year later | Three years later | Five years later |
| 11/5/1974  | -0.95%         | -10.71%         | 7.70%              | 22.96%           | 17.14%         | 47.31%            | 106.26%          |
| 4/5/1979   | 0.13%          | 0.26%           | 3.31%              | 14.19%           | 1.98%          | 33.62%            | 84.25%           |
| 5/23/1980  | 0.65%          | 5.02%           | 21.55%             | 37.86%           | 46.66%         | 103.28%           | 95.44%           |
| 10/6/1982  | 6.87%          | 18.26%          | 23.25%             | 38.80%           | 54.07%         | 46.09%            | 133.10%          |
| 1/23/1985  | 2.90%          | 5.71%           | 4.38%              | 13.12%           | 20.67%         | 24.70%            | 58.99%           |
| 2/11/1988  | 1.31%          | 6.96%           | 5.18%              | 8.00%            | 14.62%         | 26.51%            | 98.23%           |
| 1/24/1991  | 5.84%          | 14.72%          | 27.37%             | 24.55%           | 59.63%         | 102.04%           | 166.64%          |
| 10/26/1998   | 4.40%          | 15.09%          | 41.07%             | 53.74%           | 62.99%         | 2.55%             | 8.15%            |
| 6/2/2000   | 1.61%          | 4.01%           | 11.04%             | -30.63%          | -43.63%        | -58.29%           | -44.99%          |
| 1/18/2001  | -0.51%         | -12.39%         | -24.89%            | -27.17%          | -30.27%        | -22.68%           | -17.66%          |
| 4/18/2001  | -0.94%         | 5.74%           | -3.04%             | -20.52%          | -13.32%        | -4.03%            | 13.31%           |
| 10/16/2001   | -1.02%         | 10.25%          | 12.91%             | 5.50%            | -28.46%        | 11.00%            | 37.27%           |
| 11/1/2002  | -0.10%         | 8.68%           | -2.92%             | 8.22%            | 42.00%         | 55.36%            | 105.40%          |
| 12/16/2008   | -4.30%         | -3.81%          | -11.69%            | 12.98%           | 38.81%         | 60.72%            | 153.45%          |
| 3/23/2009  | -3.47%         | 6.20%           | 13.44%             | 37.00%           | 55.24%         | 97.20%            | 174.90%          |
| 2/15/2019  | 0.74%          | 2.89%           | 4.68%              | 3.94%            | 30.23%         | 89.23%            |                  |
| 4/14/2020  | -2.97%         | 5.03%           | 23.17%             | 38.20%           | 62.73%         |                   |                  |
| Average %  | 0.60%          | 4.82%           | 9.21%              | 14.16%           | 23.01%         | 38.41%            | 78.18%           |
| Median %   | 0.13%          | 5.71%           | 7.70%              | 13.12%           | 30.23%         | 39.85%            | 95.44%           |
| % Higher   | 52.9%          | 82.4%           | 76.5%              | 82.4%            | 76.5%          | 81.3%             | 86.7%            |

Source: Dow Jones Market Data