



THE MEM EDGE

Midweek Report

Wednesday September 7, 2022

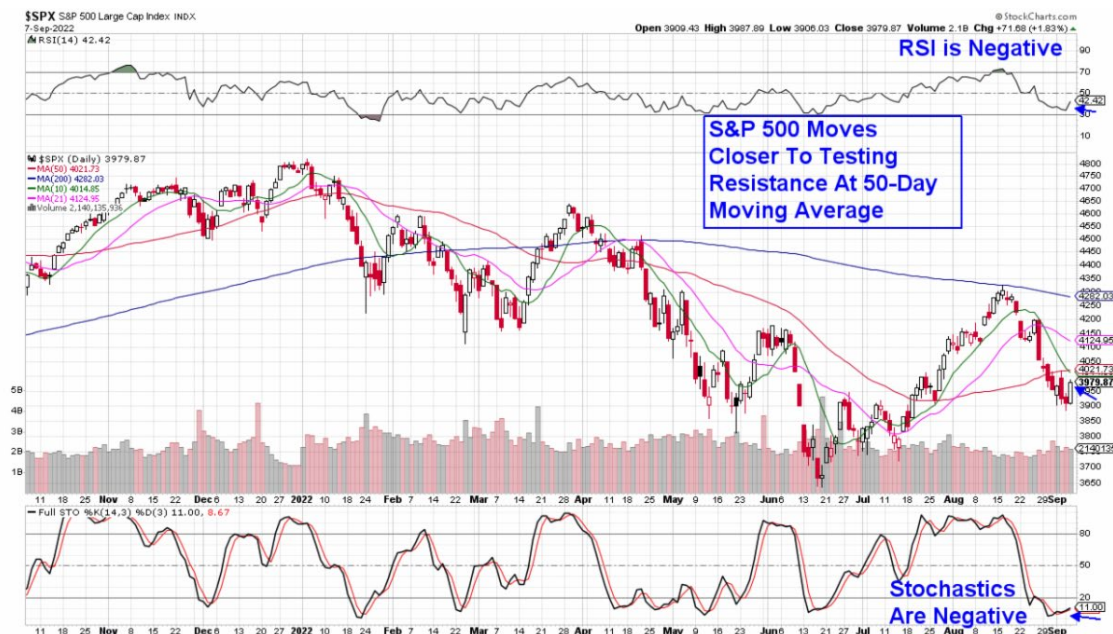
- Interest Rates & U.S. Dollar Remain Elevated
- Alternative Energy Stocks Heat Up
- Fed Official's Rate Hike Comments Are Shrugged Off
- Fed Chair Powell Speaks Before Market Open Tomorrow
- Additional Fed Officials Due To Speak Over Next 2 Days

Greetings!

The S&P 500 has gained 1.4% for the week in a move that puts this Index within 1% of near-term upside resistance at its 50-day moving average. With the RSI and Stochastics in negative territory, we remain negative on the near-term prospects for the market.

The Nasdaq has gained 1.4% as well, despite underperformance in the Technology sector led by a weak showing in heavyweights Apple (AAPL) and Microsoft (MSFT). Instead, it was Consumer Discretionary stocks that boosted this high-growth Index with Tesla (TSLA) gaining 5% as well as select Discount Retailers that have rallied this week.

DAILY CHART OF S&P 500 INDEX





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The gains this week are primarily from a rally today which took place despite negative comments from several Federal Reserve officials. In particular, interest rates will continue to be pushed higher amid a projected weakening of the economy.

As mentioned on Sunday, the broader markets were oversold and due a bounce and at this time, we will closely monitor price action at the 50-day moving average should we see a continuation rally. A move above this key mav coupled with a positive RSI and Stochastics would have us reconsidering our near-term stance. Longer term, the bear market downtrend remains in place.

The top performers this week have been in the Alternative Energy group led by a sharp rally today. Lacking any solid news aside from the Inflation Reduction Act which was signed by Biden several weeks ago, the gains today may have been spurred by Wall Street upgrades late yesterday.

Enphase (**ENPH**) from our List was the second best performer in the S&P 500 today with an 8% rally on heavy volume which pushed the stock to a new high in price. The company announced an expanded partnership with a German renewable energy company late yesterday.

ENPH is poised for further near-term upside with a positive MACD crossover on the daily chart being particularly positive. Historical precedence from late October and late July shows that the stock can have an overbought RSI for 2 up to 4 weeks and continue to trade higher. A bullish broader market backdrop would increase confidence in a continuation rally as well.

Today, we're adding First Solar (**FSLR**) from our Watch List as today's rally on heavy volume points to further near-term upside. A pullback to the top of its recent flat base at the \$130 range would be an ideal entry point.

The Utility sector is the top performer this week with those companies that are active in using alternative energy sources being the top performers. Much of the momentum was sparked by news today that power prices have soared to a 2 year high in California as it is now in its 8th day of excessive heat warnings.

With global warning being headline news in Europe and elsewhere over the past several months, progressive Utility companies have been relative out performers



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of late. We're adding Nextera Energy (**NEE**) and Southern Co. (**SO**) to our Watch List as both progressive companies are poised to break out of bases.

Chipotle (**CMG**) rallied back above its 5 and 10-day moving averages on volume and is now in a strong buy zone as it approaches a \$1725 base breakout level.

Energy stocks are the weakest performers this week as the price of oil continues to fall. The pullback has pushed the RSI into negative territory on the daily chart and given the weak backdrop, we're removing Occidental (**OXY**) from our Suggested Holdings List.

Longer term investors can remain with **OXY** as the weekly chart remains constructive. A negative RSI on this weekly view would negate this longer-term positive view.

Tomorrow, Fed Chair Powell will be speaking and we expect his comments to be closely monitored. From our view, his comments could not be any more harsh than over a week ago when he laid out the Fed's aggressive plan while in Jackson Hole.

With the markets ability to shrug off negative comments from several Fed Governors today, any hint of lightening up on his aggressive policy stance may bring further buying.

We'll release an Alert Report tomorrow should our outlook shift.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report