



THE MEM EDGE

Midweek Report

Wednesday, January 25th, 2023

- Technology Stocks Retain Uptrend Following Monday's Rally
- Mega-Cap FAANMG Stocks Continue To Outperform
- Manufacturing & Services PMI Remain Weak In January
- U.S. GDP For Q4 Due Thursday and Core CPE Due Friday

The S&P 500 has gained 1.1% for the week in a move that keeps this Index above each of its moving averages. With the RSI and Stochastics in positive territory, we remain in a confirmed uptrend for the near-term.

Today's price action was constructive as we closed the day almost at even as buyers came after the market's sharp drop on the open. The gains occurred despite mixed results from heavyweight stock Microsoft (MSFT) who also gave disappointing guidance for growth going forward. MSFT surprisingly closed the day down less than 1%.

The Nasdaq fared a better with a 1.6% gain that was boosted by outperformance in a majority of the FAANMG stocks. Strength in Semiconductors is also helping with the group up 4% so far this week. Software and Retail stocks are also outperforming, as buyers are bidding up these beaten down areas of Growth.

The rally in the Nasdaq keeps this Index above each of its shorter term moving averages and in an uptrend with the Nasdaq now



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1.9% away from a possible move above its 200-day moving average which is the next area of possible resistance.

CHART OF S&P 500 INDEX



Semiconductor stocks continued their sharp advance this week following relatively positive results from several stocks as well as Bank of America's bullish report which came out last week and we highlighted last Sunday.

Among Semi stocks on our List, Nvidia (**NVDA**) remains in a confirmed uptrend following Monday's 5-week base breakout which occurred on heavy volume. The stock continues to find support at its 5-day mav and can be bought on any pullback to this level which is now at \$186.



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A S M L (**ASML**) is in a similarly positive position after posting quarterly results that were ahead of estimates with management guiding growth estimates higher for the remainder of 2023. ASML can be bought in the \$665 range near its 5-day moving average.

Lattice Semiconductor (**LSCC**) posted similar gains after experiencing a 5-week base breakout on Tuesday. LSCC can be bought in the \$74 range which is its 5-day moving average.

Overall, the Semiconductor group remains the strongest underlying area within Technology with Monday's base breakout occurring on heavy volume. (SOXX). Over the next 2 days, Semiconductor stocks Lam Research (LRCX), KLA Corp (KLAC) and Teradyne (TER) are due to report their quarterly results. Their results as well as investor's response may sway the group however Semi's currently remain in an uptrend.

Industrial stocks are also outperforming with a 1.2% gain that's allowed this sector to regain some of last week's sharp losses.

Heavyweight name Caterpillar (**CAT**) from our List posted a 3.5% gain ahead of the release of their earnings next Tuesday. The gains are taking place amid a continued uptick in the price of metals which is positive for the growth prospects of CAT's mining equipment division. CAT is in a confirmed uptrend and can be bought on a pullback to the \$253 range.

Transdigm (**TDG**) is also far outpacing the sector with a 4% gain amid analyst upgrades to earnings for both this year and next. A strong earnings report from peer stock Teledyne Tech (TDY) who also provides parts to aircraft manufacturers, also boosted



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TDG. The stock is extended after gaining 4% this week and it can be bought in the \$683 range at its 5-day mav.

Energy stocks are underperforming this week as the price of oil is drifting lower. SLB (**SBL**) and Haliburton (**HAL**) are both down for the week despite reporting earnings and sales above estimates with management guiding higher.

Smaller Cap Oil&Gas-Field Services company Tidewater (**TDW**) is outperforming with a 2% gain that puts the stock at a new high. The stock is in a confirmed uptrend and poised to trade higher.

Within Consumer Discretionary, beaten down Retailers are seeing buying while recently strong names such as Crocs (**CROX**) and Deckers (**DECK**) are flat.

As mentioned in Sunday's report, we may see sideways price action in CROX similar to late November however, a move back above its 21-day moving average would put the stock into a buy zone.

With metals moving higher, mining stock Rio Tinto Plc (RIO) is gaining ground with a 2% rally that keeps the stock in a strong uptrend. **RIO** is in a buy zone.

While Healthcare stocks remain weak, Biotechs are up slightly with Biomarin (**BMRN**) from our List outpacing with a 5% gain for the week so far. Today's gap up on heavy volume points to further possible upside similar to its late November period. BMRN is in a buy zone.



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Pacific Biosciences (**PACB**) has gained 3% for the week led by a sharp rally on heavy volume today. The stock posted a bullish engulfing pattern today and is poised to trade higher.

While we've highlighted stocks as being in a buy zone, tomorrow's GDP report and Friday's PCE report may shift investor's sentiment regarding a 0.25% rate hike next week. In addition, upcoming earnings reports will also need to be closely watched for signals that the currently bullish bias in the markets has shifted.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report