



# THE MEM EDGE

*Midweek Report*

Wednesday, March 1, 2023

- Yield On 10-Year Treasury Reaches 4% Before Pulling Back
- Durable Goods Orders Show Economy Still Growing
- Consumer Confidence Slips On Inflation Fears
- Fed President Leans Toward Raising Rate Increase
- Weekly Jobless Claims Tomorrow & Services PMI Data On Friday
- Added Applied Materials (**AMAT**) To Suggested Holdings List

The S&P 500 is down 0.5% for the week in a move that puts this Index at its 200-day moving average with the RSI and Stochastics moving further into negative territory. These dynamics keep our near-term outlook negative for the markets.

Should we trade below the 200-day moving average, the next area of possible support for the S&P 500 is in the 3800 range (the lows of late December) and is 3.8% away.

Over the weekend, we highlighted the RSI's unusual move into negative territory using the weekly chart of the S&P 500. When the Stochastics also turn negative, this has pointed to further downside lasting at least several weeks. At this time, the Stochastics on the weekly chart are moving closer to turning negative.

The Nasdaq is faring a bit better for the week however, its flat performance keeps this Index just below its 200-day moving



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average. The next area of possible support is its 50-day moving average which is 1.5% away. A move back above its 10-day moving average would be a first step in the Nasdaq's ability to regain its uptrend. We're including the daily chart below highlighting the other signals necessary. Until then however, we remain negative on the near term prospects for the Nasdaq.

## DAILY CHART OF SPX



Most notable this week has been a move into commodity related stocks with the Basic Material sector entering into an uptrend on above average volume.



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The gains followed news from China who reported the fastest growth in factory activity in a decade for the month of February. Non-manufacturing areas of China also showed an increase.

The response in the U.S. markets was swift with Steel, Copper and Aluminum stocks racing higher. The news also pushed the dollar lower which helped Gold stocks to trade higher.

Industrial stocks are also outperforming this week with the largest winners being stocks that have reported earnings. As highlighted in earlier reports, many companies in this sector are adopting new technologies that are increasing productivity amid continued demand. The removal of supply chain backlogs is also boosting stocks in this group.

This would include stocks such as Caterpillar (**CAT**) which are including AI technologies to uncover issues with their heavy machinery before they're obvious. We are looking to add CAT back to our Suggested Holdings List after today's rally pushed the stock back above resistance.

In addition to rallying on news of China's growth, CAT announced a tentative resolution to the union strike taking place at the company. A positive MACD crossover would provide us with the conviction to add the stock.

Elsewhere in this sector Transdigm (**TDG**) from our List has regained its uptrend with a close above its 10-day moving average with its momentum indicators in positive territory.



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Paccar Inc. (**PCAR**) rallied on above average volume over the past 2 days and a move back above its 10-day moving average would put the stock into a strong buy zone.

Elsewhere in the sector, Fluor Corp. (**FLR**) from our Watch List is a hair away from a \$38 base breakout which would have us potentially adding the stock to our Buy List.

Semiconductor stocks are another bright spot for the markets with the group gaining almost 1% this week following last week's report from Nvidia's (**NVDA**) and their bright outlook for chip demand - particularly in the AI space.

NVDA is in a buy zone following today's pullback to its 10-day moving average.

This week, we're adding Applied Materials (**AMAT**) to our Suggested Holdings List following the stock's move above its shorter term moving averages. AMAT introduced a new system this week that will reduce design costs for chipmakers. The news has analysts raising their estimates higher for the company.

We're on the lookout to add additional Semiconductor stocks should the group (using SOXX) move back above its shorter term moving averages and into a more bullish position.

Tomorrow, heavyweight Semi stocks Broadcom (**AVGO**) and Marvel Tech (**MRVL**) will be reporting their earnings reports after the market closes and their results are expected to impact the group.





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Retail stocks are continuing to struggle with the group down 1.7% (using XRT) after news that both Target (**TGT**) and Lowes (**LOW**) both reported mixed results while providing weak guidance going forward.

Crocs (**CROX**) from our List has gained almost 2% for the week amid analyst upgrades. A close above its 10-day moving average would put the stock in a strong buy zone.

Wingstop (**WING**) is trading sideways as it continues to digest last month's 7.5% gain. With its RSI and MACD in positive territory, a close above its 10-day mav on volume would be quite positive.

General Motors (**GM**) is continuing to pull back this week. While the longer-term weekly chart remains constructive, the daily chart is looking weak. Given GM's focus on continuing to expand their EV production levels, we anticipate comments from today's investor event at Tesla (**TSLA**) to impact the stock.

We would need to see a move back above its shorter term moving average to turn positive while a break below its 50-day moving average would put **GM** in a sell zone.

While we've added stocks to our Suggested Holdings List and also identified stocks as being in a buy zone, caution is warranted with new positions being entered lightly.

Comments from Federal Reserve officials are continuing to impact the markets and today's remarks from a Fed President that he's inclined to raise rates higher, pushed interest rates higher. As frequently noted, rising rates are not good for the



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markets. Over the next two days, 3 additional Fed officials will be speaking.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report

## DAILY CHART OF \$COMPQ

