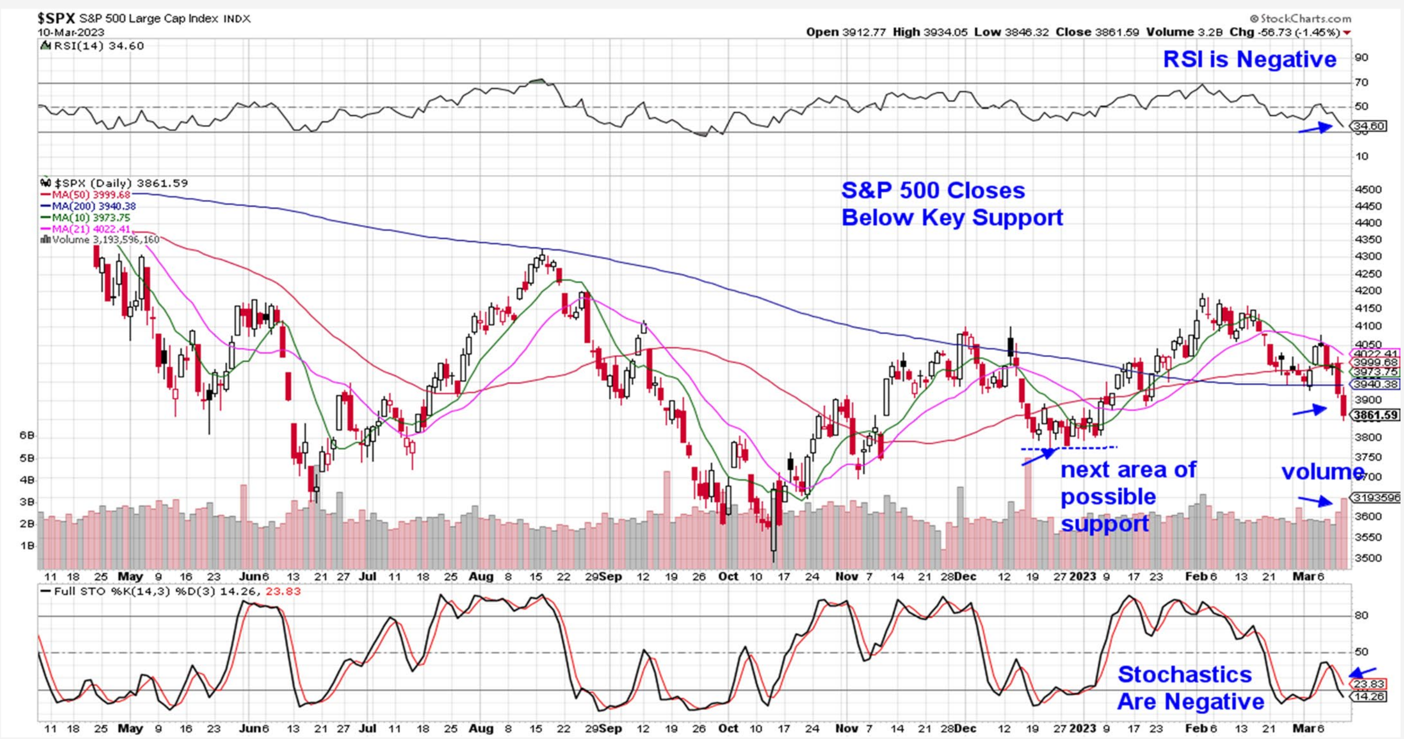
THE MEM EDGE

March 12th, 2023 | Weekly Report

This Week's Highlights

- Powell Testimony Points To Elevated Interest Rates
- Private Sector Job Growth Picks Up In February
- China's Proposes Lockdown In Response To Possible Flu Epidemic
- Strong U.S. Job Gains In February While Unemployment Rate Rises
- Volatility Spikes Amid Largest Bank Collapse In 10 Years
- CPI Data Due Tuesday, PPI Data Wednesday with Retail Sales and Industrial Production Reporting Next Week As Well

Daily Chart of S&P 500



The S&P 500 lost 4.6% last week in a move that pushed this Index back into a downtrend after a close below key support at each of its moving averages. In addition, the S&P 500 now has a negative RSI and Stochastics on both its daily and weekly charts.

The next area of downside support is the 3760 area which is the low from late December and is 2.6% away. The Dow Jones Industrial Average - which only mildly participated in the market's January rally - has already broken below its December lows.

The Nasdaq fell 4.7% which puts this Index below its key 50-day moving average with the RSI and Stochastics both in negative territory on the daily chart. The decline occurred amid sharp losses in Software, Retail and select Medical Products stocks.

The Nasdaq's close below each of its moving averages puts the next area of possible support at the December lows, which is 8.4% away.

In our Midweek Report, we highlighted the change to a negative bias for the markets after Fed Chair Powell's comments on Monday that economic data - particularly labor related - was stronger than expected. As a result, Powell suggested that the ultimate level of interest rates will likely be higher than previously anticipated.

The markets pulled back in response to this suggestion with riskier Biotechs and Small Caps coming under the most selling pressure.

Surprising news later in the week that SVB Financial (**SIVB**) was in trouble cascaded into a banking sector meltdown after regulators shut down operations at the bank amid a run on deposits. The Financial sector fell 8.5% for the week with the Regional Banking ETF declining 16%.

Friday's February jobs report brought more angst despite some positive facets as an increase in job growth heightened fears of a half percent increase in rates at the Federal Reserve's next meeting on March 22nd.

The CME's FedWatch tool shows that interest rate traders are now anticipating a half point increase later this month which is a shift from last week when 71% were on the lookout for a ¼% increase.

Last week's unsettling news - particularly the collapse of SIVB - pushed investors into safe haven areas with the yield on the 2 year note posting its largest one day drop since September 2008. (Bond yields fall as prices rise.) Gold also closed the week higher.

Not surprisingly, volatility spiked higher as well with the VIX - also known as the fear index - closing at an elevated level. On the daily chart, the Volatility Index closed above its key 200-day moving average which historically points to further upside. Rising volatility is a negative for the markets.

At this time, we would not be putting new money to work until we see the markets resume their uptrend. This would be signaled by a move of the S&P 500 back above at least its 50-day moving average which is 3.5% away coupled with a positive RSI and/or Stochastics on the daily chart.

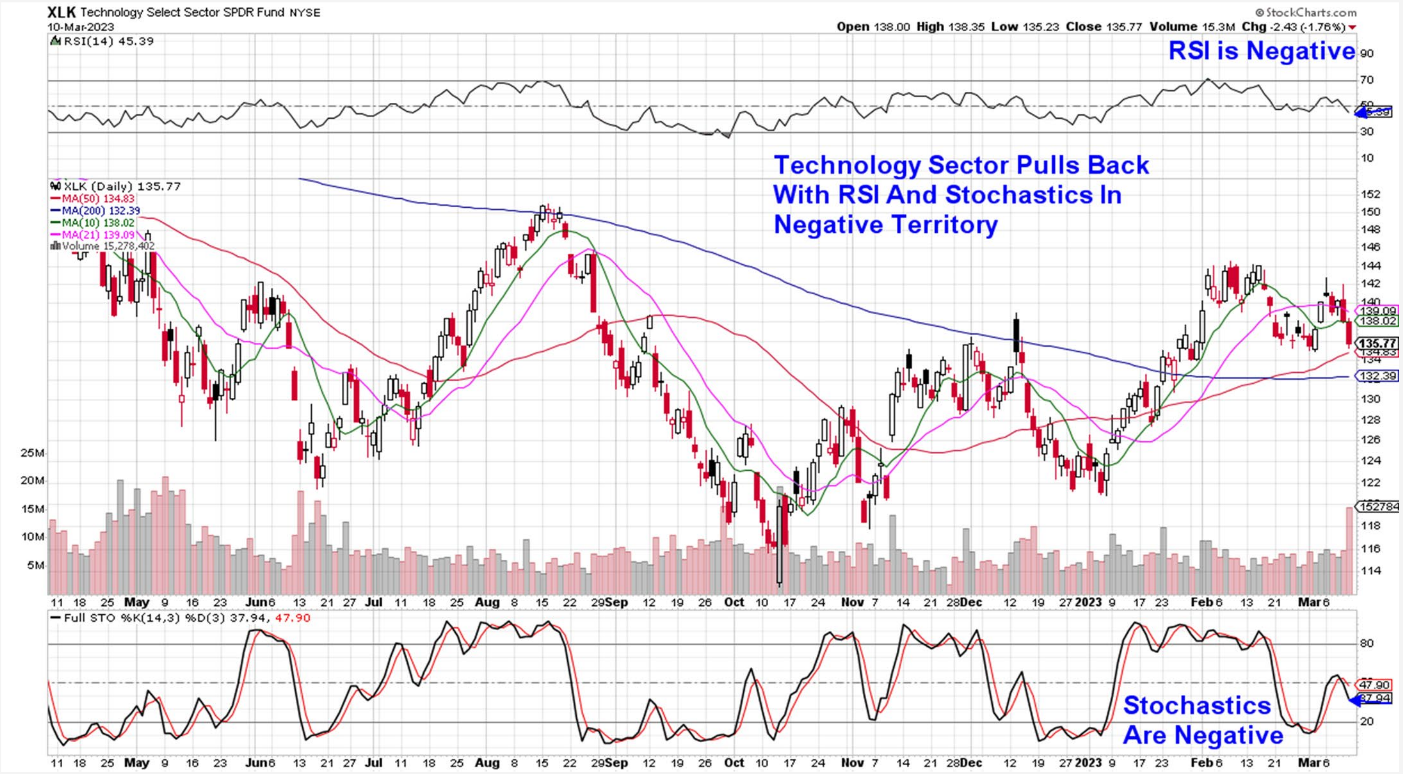
Next Tuesday, Core CPI numbers for February will be released before the markets open. This is a key inflation gauge that is closely watched by the Federal Reserve as it omits volatile food, energy and housing data.

Also of note for the markets is China's move toward initiating lockdown mandates in select regions due to a growing number of flu cases. This news brought Basic Materials and Energy stocks lower due to potentially reduced demand for Oil and Metals.

Powell's pronouncement of higher interest rates for longer brought on selling last week which was intensified by news of SVB Bank's collapse. In turn, every sector within the S&P 500 is now below its key 50-day moving average except for Technology, which is being propped up by Microsoft, Apple and Nvidia which account for a 50% weighting of this sector.

The MEMEdge
WEEKLY REPORT

Technology Select Sector SPDR Fund (XLK)



Technology Sector Loses Recent Uptrend

Technology stocks were down less than the markets led by outperformance in heavyweight names Microsoft (**MSFT**) and Apple (**AAPL**) as well as Semiconductors which each closed the week above their 50-day moving averages.

Software stocks however, broke below this key area of support after a 5.7% decline that was led by sharp losses in select companies that reported weak earnings such as Docusign (**DOCU**). This group is now in a downtrend. (using ETF IGV)

Software stock Cadence Design (**CDNS**) from our Suggested Holdings list fell only 0.4% for the week amid analyst upgrades. The stock closed above each of its moving averages and is in a positive position on its daily, weekly and monthly charts. That said, the stock is susceptible to any further deterioration in the Software group which is now in a downtrend and shorter term investors will want to lighten up on any position in CDNS.

As you may recall, CDNS supplies electronic design software for chip manufacturers and with more complex chips needed for AI and other applications, the growth prospects are bright for the company.

Fortinet (**FTNT**) pulled back on light volume with its RSI and MACD remaining in positive territory. Given the industry group's negative dynamic, we anticipate this Software Security stock to trend lower as well over the near term and we would be a seller into any possible strength.

While Semiconductor stocks held in better than the markets, Friday's 2% decline for the group pushed the RSI into negative territory with the MACD now poised to turn negative as well. (using ETF SOXX)

This year, Semiconductors have been one of the top performing groups. One of the primary drivers of winning stocks among Semis has been strong earnings and/or a positive outlook regarding growth going forward. This has mostly included companies providing chips or equipment that service automotive, AI or industrial industries.

Each of the Semiconductor stocks on our List fits this profile and Lattice Semiconductor (**LSCC**), Broadcom (**AVGO**) and Nvidia (**NVDA**) have all found support above their 21-day moving averages with their momentum indicators in positive territory after pulling back last week.

This would normally put each of these stocks in a buy zone however, market and group dynamics point to a strong possibility of further near term downside.

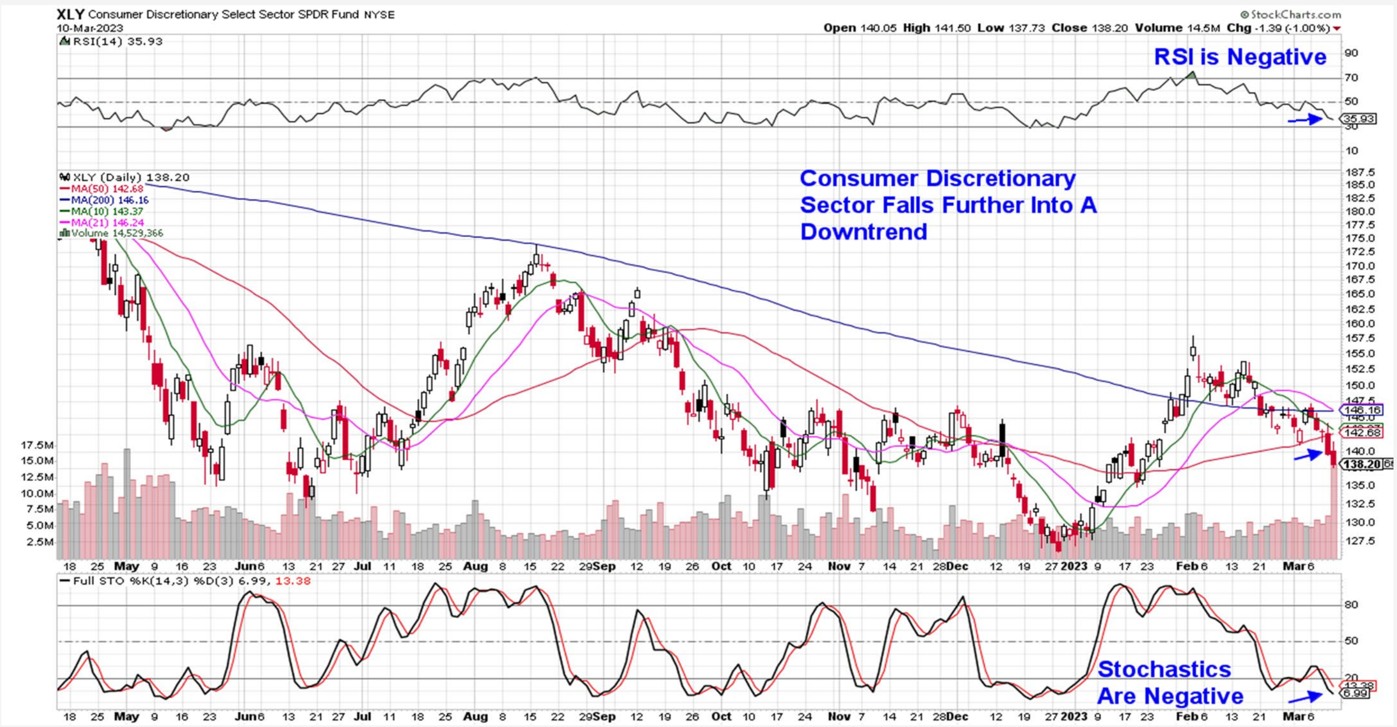
The longer term, monthly charts of LSCC, AVGO and NVDA are each attractive with the stocks trading above their 6-month moving averages with a positive RSI and

MACD. Below is the monthly chart of Broadcom (**AVGO**) which shows the stock in a long term uptrend with positive momentum characteristics.

The near term prospects for these Semi stocks are not positive and positions should be lightened among shorter term investors. Longer term however, each is exhibiting leadership qualities with positive monthly charts that indicate that they can be held. The need for the technologies they offer will remain in place despite any economic slowdown that's now being more widely considered.

Canadian Solar (**CSIQ**) was up 2% for the week until the market's selloff on Thursday and Friday pushed this stock down as well. The decline pushed the stock below its key 50-day moving average with the RSI now in negative territory. We're removing the stock from our Suggested Holdings List.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Breaks Key Support On Heavy Volume

Discretionary stocks were led lower by a 12% loss in Tesla (**TSLA**) on news of price cuts on higher end models as well as a Wall Street downgrade. Chinese based EV companies posted even bigger losses amid a sharp drop in China's stock market. (using ETF MCHI). Price wars among China's EV companies also pushed these stocks lower.

Overall, the Auto Industry group was down 12% last week and General Motors (GM) from our List was not immune to the decline. The stock lost 11% with much of the losses occurring after management announced it would offer employees voluntary buyouts in an effort to cut fixed costs as they prepare for an economic downturn.

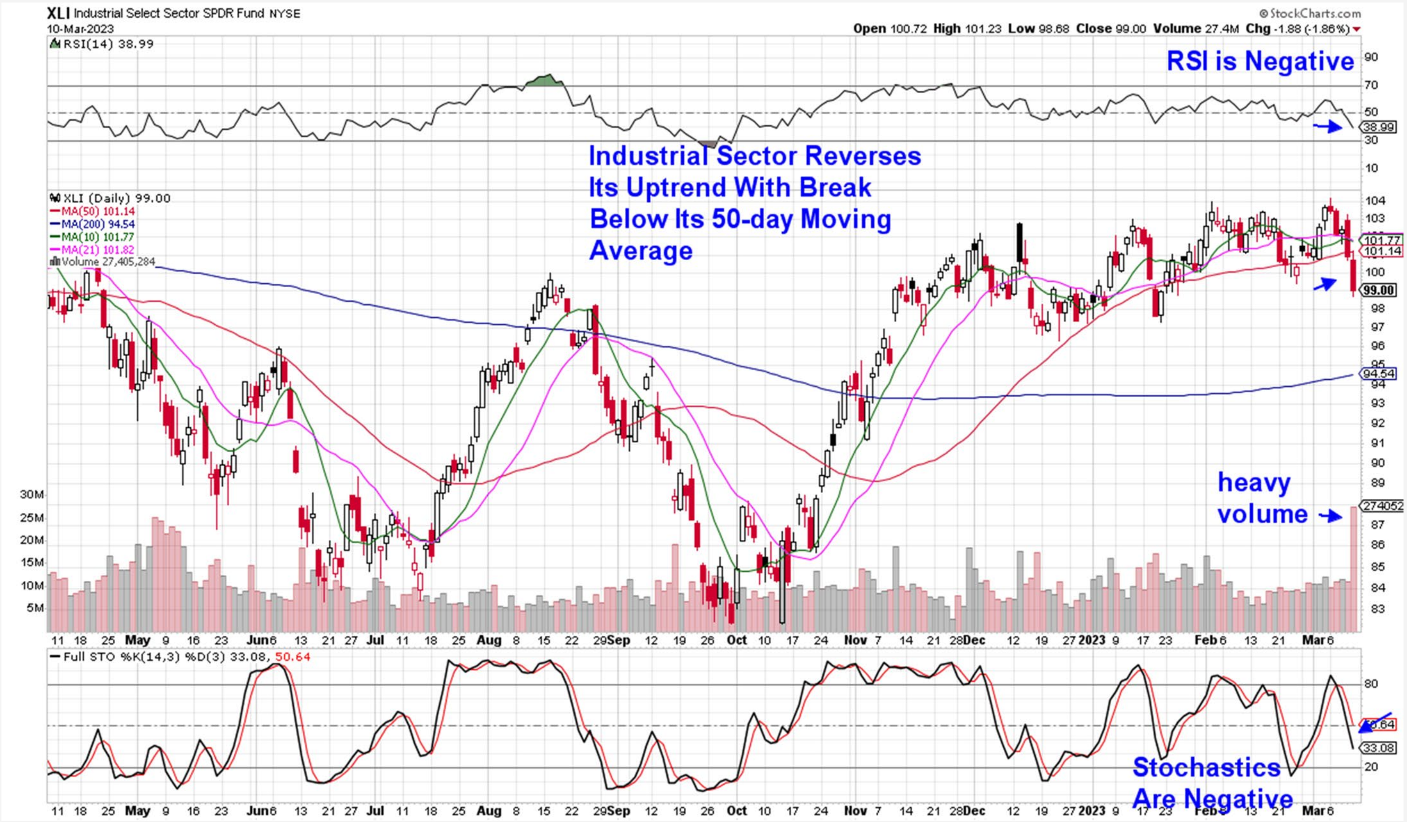
GM closed the week below its 50 and 200-day moving averages and we're removing the stock from our Suggested Holdings List.

Retail stocks fell 6.1% last week on heavy volume amid weak quarterly results from a number of companies. (using ETF XRT) The selling spread to healthy companies with Crocs (**CROX**) from our List dropping below its 50-day moving average on heavy volume. The decline pushed the RSI into negative territory on its daily chart and we're removing the stock from our List.

O'Reilly Auto (**ORLY**) drifted lower last week and while the stock fell much less than the Retail group, it did close below its 50-day moving average with the RSI now in negative territory. We're keeping a close eye on ORLY as the stock historically fares well during recessionary periods. A pronounced break below its 50-day moving average coupled with a negative MACD would have us removing the stock from our List

Wingstop (**WING**) is another stock where the chart looks positive on its longer term, monthly chart. Unlike ORLY, the MACD is in an earlier stage of trending upward which provides more room for further upside over a longer term.

Industrial Select Sector SPDR Fund (XLI)



[Industrial Sector Breaks Support]()

The Industrial sector closed below its 50-day moving average on heavy volume. The declines were across every area with heavy machinery names such as Caterpillar (**CAT**) and Deere (**DE**) being hit the hardest amid a possible lockdown in areas of China.

Caterpillar (**CAT**) also fell due to a Wall Street downgrade and the stock is being removed from our Suggested Holdings List after dropping below its 50-day moving average on heavy volume.

Aerospace and Defense stocks also pulled back and while Transdigm (**TDG**) from our List is above its 50-day moving average, last week's decline pushed the RSI into negative territory. We're removing the stock from our Suggested Holdings List.

Paccar (**PCAR**) is in a similar position with a pullback pushing the RSI into negative territory on the daily chart. Last week's late week decline occurred on below average volume however, a move below its late February low of $71.3 would have us removing the stock from our List.

Summary

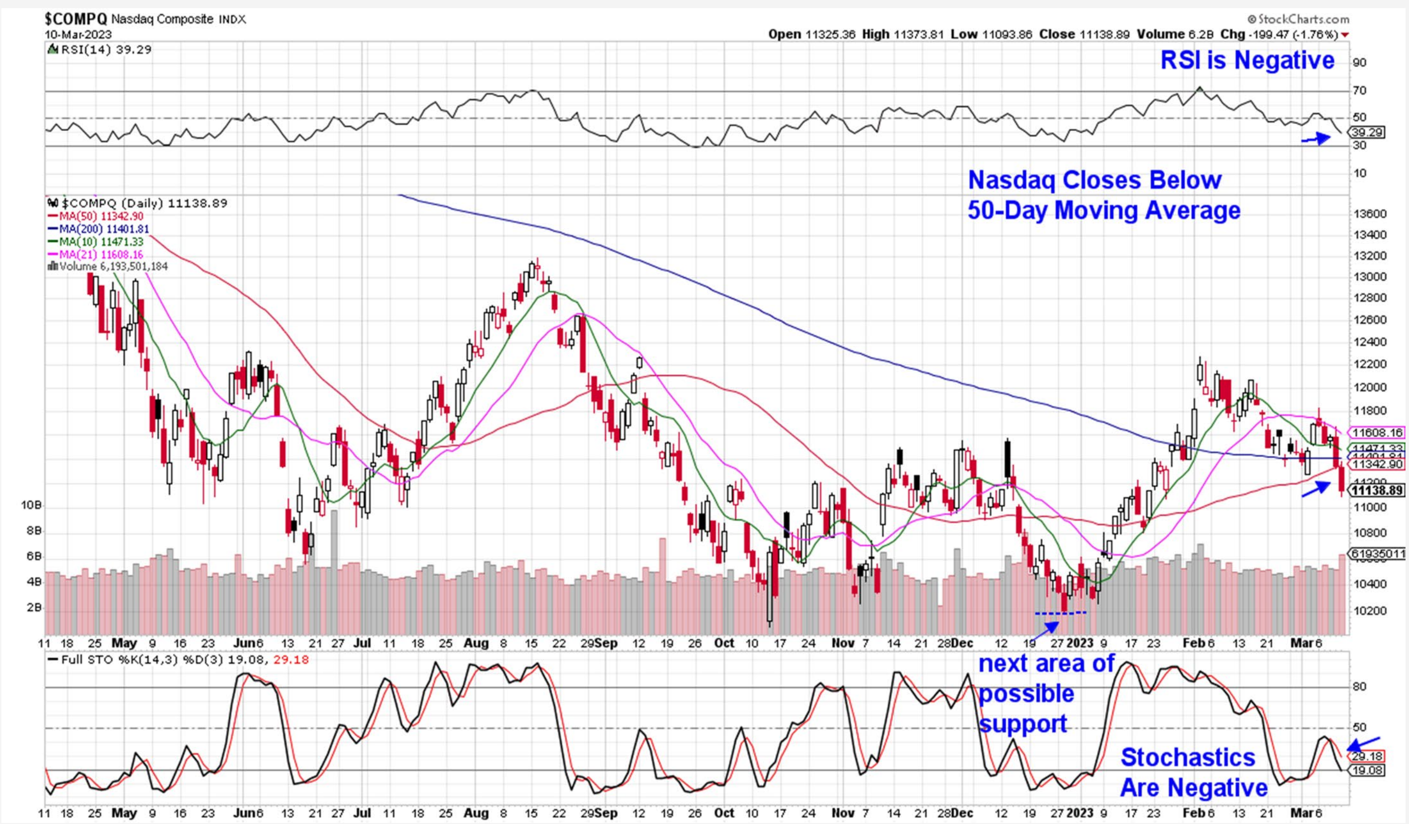
The markets are in a weak position following Fed Chief Powell's remarks that he's favoring faster rate hikes in order to tame persistently high levels of inflation. The late week collapse of SVB Financial added to investor's woes, bringing more uncertainty to the markets.

Over the past two months, the markets have been buoyed by relatively strong earnings reports from select Technology, Industrial and Energy companies and with Q4 earnings season mostly behind us, the focus will return to economic data.

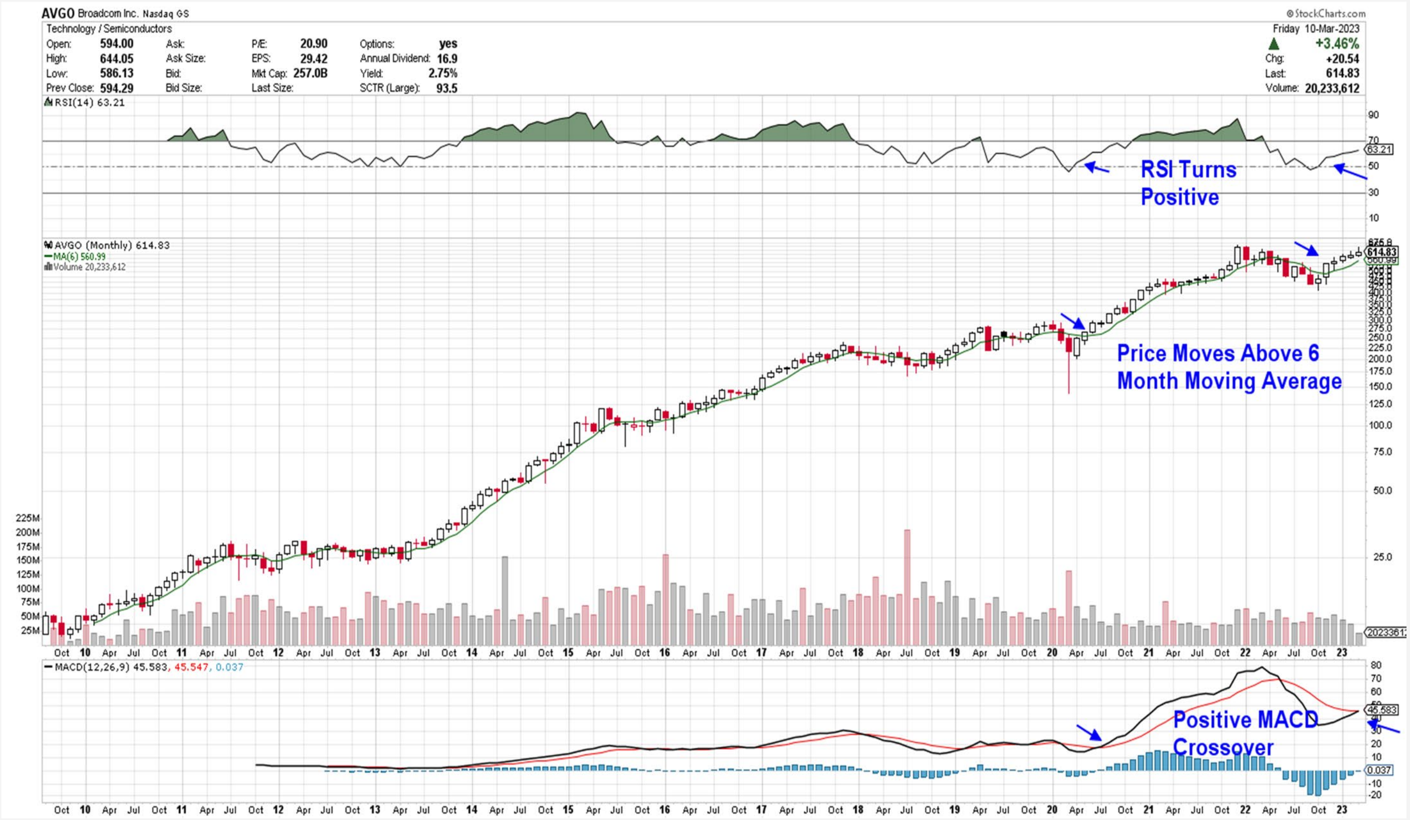
With that, recession fears are reemerging in the face of potentially higher interest rates however, stocks that fare well during a recession are mostly in a downtrend at this time. This would include Discount Retailers such as Walmart and Ross Stores that fared well in the 2008 recession as well as innovative Biotech firms such as Amgen that were able to buck 2008's economic downturn.

While we're remaining with stocks that currently have a positive long term chart, given the market's break below key support, we would not initiate any new positions at this time. In addition, shorter term investors are advised to lighten up on holdings and raise cash.

Daily Chart of Nasdaq Composite ($COMPQ)



Monthly Chart of Broadcom Inc. (AVGO)



The MEM Edge

WEEKLY REPORT

MEM Edge Report Suggested Holdings

Stocks With Emerging Leadership Characteristics

$ = Earnings Due	Buy Zone	Strong Buy	Buy on Pullback	Removed From List

SYMB	COMPANY	CURRENT PRICE	DATE ADDED	PERFORMANCE	EARNINGS DUE DATE	INDUSTRY GROUP
TECHNOLOGY						
AVGO	Broadcom Inc.	$632.80	3/5/2023	-3.0%	-	Semiconductor
CSIQ	Canadian Solar	$41.75	3/5/2023	-6.0%	-	Solar
CDNS	Cadence Design	$196.12	3/5/2023	0.0%	-	Exploration & Production
FTNT	Fortinet Inc.	-	3/5/2023	-3.0%	-	Cybersecurity
LSCC	Lattice Semiconductor	$88.60	3/5/2023	-2.0%	-	Semiconductor
NVDA	Nvidia Corp	-	1/22/2023	25.5%	-	Semiconductor
INDUSTRIALS						
CAT	Caterpillar Inc.	$255.30	3/5/2023	-11.0%	-	Construction
PCAR	Paccar Inc.	$75.70	2/20/2023	-4.0%	-	Automotive
TDG	Transdign Group Inc.	$649.00	1/8/2023	12.0%	-	Aerospace
CONSUMER DISCRETIONARY						
CROX	Crocs Inc.	$104.00	12/4/2022	22.0%	-	Footwear
GM	General Motors			-8.0%	-	Automotive
ORLY	O'Reilly Automotive Inc.	$873.00	2/20/2023	-6.0%	-	Retail
WING	Wingstop Inc.	$157.80	1/29/2023	8.5%	-	Restaurant

Glossary of Terms Used From Our Suggested Holdings

Buy Zone

This means the stock is in a confirmed uptrend and is finding support at its upward-trending key moving averages and can be bought. If you own the stock, stay with it.

Strong Buy

This means we have slightly more conviction in the ability of this stock to outperform the markets over the next week. The stock may be poised to break out of a base, it may be in a strong industry group or there may be recent good news. In other words, the stock has some edge that should help propel the stock higher.

Buy on Pullback

In this case, the stock is a bit over-bought (or extended) and may need to come in a little before buying. This is usually following a particularly strong week where the stock was up a lot. We would look for a pullback to the stock's upward-trending 10-day moving average as an optimal entry point.

Not Highlighted

These are stocks that remain positive and can be held if you own them. However, they currently do not appear poised to have an upward move. The stock may be consolidating after a large advance or be in an industry group that is not in favor. The longer-term uptrend remains in place however.