



THE MEM EDGE

Midweek Report

Wednesday March 15th, 2023

- Core CPI Remains High
- Retail Sales Fall For Third Month In A Row
- PPI Shows Wholesale Prices Dropping Led By Food
- Weekly Jobless Claims and Housing Data Thursday
- Industrial Production and Consumer Sentiment Report On Friday
- Federal Reserve Interest Rate Increase Next Wednesday

The S&P 500 has gained 0.8% this week however it remains below its key 200-day moving average. With the RSI and Stochastics in negative territory, the markets remain in a downtrend.

The Nasdaq has fared better with a 2.7% gain that's being led by outperformance in each of the mega-cap FAANMG stocks. Most notable is Meta Platform (META)'s 10% rally on layoff and product announcement news. Outperformance in Software (using IGV) and Biotechs (IBB) is also providing a boost for this Index.

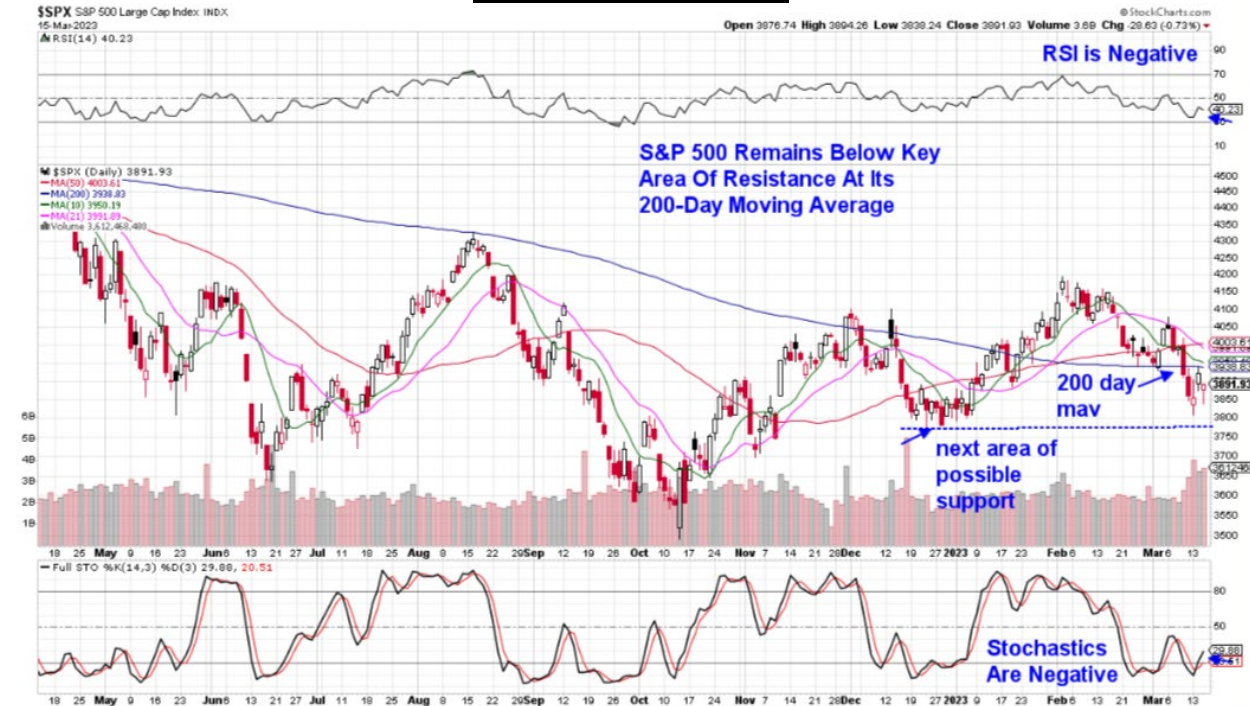
This week's rally has helped the Nasdaq regain its 50 and 200-day moving averages however, the RSI and Stochastics remain in negative territory which keeps our outlook negative.



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CHART OF SPX



It's been a volatile week as the markets digest the collapse of both Silicon Valley and Signature Bank due to a surge of withdrawals amid fears of unhealthy financials. The news brought recession fears roaring back which in turn has brought selling in Materials, Industrial and Energy stocks.

Growth stocks have been able to withstand the selloff taking place elsewhere, with mega caps Microsoft (MSFT), Apple (AAPL) and Meta Platform (META) in buy zones.

Semiconductor stocks Nvidia (**NVDA**), Lattice Semi (**LSCC**) and Broadcom (**AVGO**) from our Suggested Holdings List are a buy zone after closing above their 10-day moving averages today.



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Cadence Design (**CDNS**) from our List broke out of a 1-month base on volume yesterday which sets this stock up to trade higher as well.

Retailers are mostly trending lower after reports of a drop in Retail Sales in February however, Wingstop (**WING**) has also regained its 10-day moving average and is in a buy zone.

The positive price action in these stocks means they can be held and while it may be tempting to add to positions, we would wait for further positive price action in the Nasdaq that would confirm a new uptrend.

This would entail a move back above its 21-day moving average with a positive RSI and Stochastics on the daily chart. In addition, we can now be on the lookout for a “follow-through day” which historically signals a market bottom. Developed by William O’Neil (founder of Investors Business Daily), we would need the markets to rally more than 1% on volume that’s higher than the prior day.

Other conditions currently in the markets also signal the need for a more prudent approach at this time. In particular, the Volatility Index (VIX) remains elevated at 26 while also being above its 200-day moving average. Also known as the fear index, a rising VIX is a negative for the broader markets.

Today, more banks were cited as possibly being in trouble with Credit Suisse being the most notable name while bank collapse fears are moving globally as well.



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In a flight to safety, Gold is continuing to trade higher while the yield on the 10-year Treasury is down again and now at the 3.4% level. In addition, more defensive areas of the market are outperforming this week led by Utilities and REITs as well as Healthcare.

February's CPI data helped the markets stage a rally on Tuesday after coming in at levels that showed a year over year decline. Core CPI - the Fed's most watched metric for inflation - remained high however.

Today's Producer Price Index numbers for February showed a decline amid lower food prices which was good news as we head into next week's Federal Reserve release of their interest rate hike percent on Wednesday.

While Growth stocks are continuing to firm up amid a drop in interest rates, caution is warranted as the global markets grapple with a shaky banking system. We will apprise you of any shift in sentiment as warranted.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report