



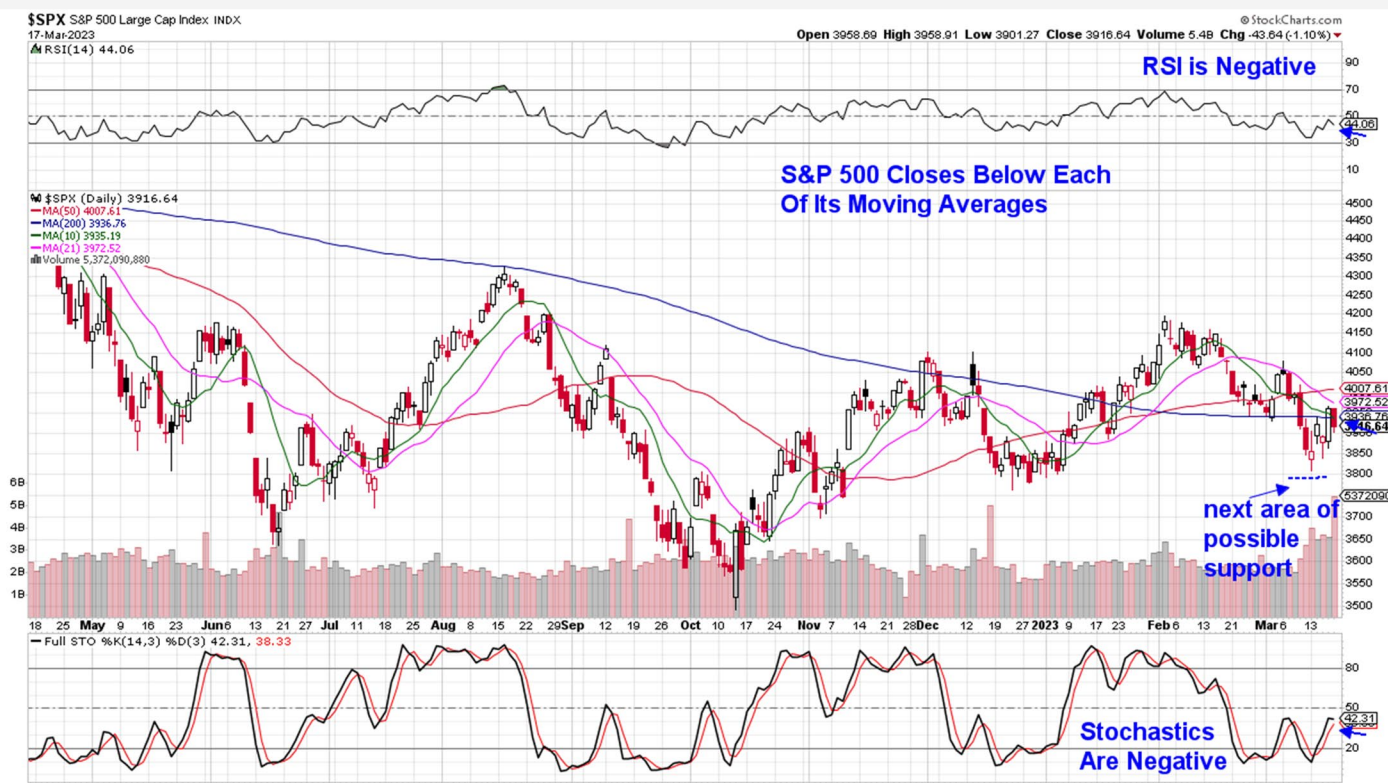
# THE MEM EDGE

March 19th, 2023 / Weekly Report

## This Week's Highlights

- Core CPI Remains High
- Retail Sales Fall For Third Month In A Row
- PPI Shows Wholesale Prices Dropping Led By Food
- Weekly Jobless Claims Fall and Housing Starts Up 10%
- Consumer Sentiment Declines
- Federal Reserve Interest Rate Increase Next Wednesday

### Daily Chart of S&P 500



The S&P 500 gained 1.4% which has this Index remaining below each of its moving averages. The RSI and Stochastics are in negative territory as well, so that the near-term downtrend in the S&P 500 remains in place.

A move back above its 50-day moving average would put the S&P 500 back into an uptrend which is 2.3% above Friday's close. In addition, we'd need to see the RSI on the daily chart enter positive territory as well.

Should the S&P 500 trade lower, the first area of possible support is the low of last Monday at 3809, which is 2.7% away. A move below this level would have us looking to the late December area as possible support.

The Nasdaq fared much better last week with a 4.4% gain that pushed this Index back above each of its moving averages and into an uptrend as both its RSI and Stochastics are in positive territory. While it was a bumpy road intraday, the Nasdaq closed in positive

territory Monday through Thursday on above average volume which is a positive, as it indicates accumulation.

Possible support for this Index on any pullback will be each of its moving averages with the 21-day mav being the closest at 1% away while the 200-day moving average is the last area of possible support and is 2.1% away.

We will be keeping a close eye on momentum as well and at this time, the RSI and Stochastics are in positive territory for both the daily and weekly chart of the Nasdaq.

Overall, it was a volatile week for the markets as the fragility of the banking industry came further to light with more banks needing financial help in order to remain viable.

Turmoil in the financial industry spread to other areas as fears of a global recession pushed economically sensitive stocks lower with Oil, Steel and Aluminum all pulling back sharply.

Treasury yields dropped as well, as the market's signaled the Fed may need to begin cutting interest rates sooner than was thought in an effort to stem

economic weakness due to volatility in the banking industry.

A possible drop in interest rates may be one reason for the Nasdaq's healthy rally which was led by outsized returns in most of the mega-cap FAANG stocks. The Semiconductor and Software groups also outperformed with a rally in both areas which pushed them into uptrends.

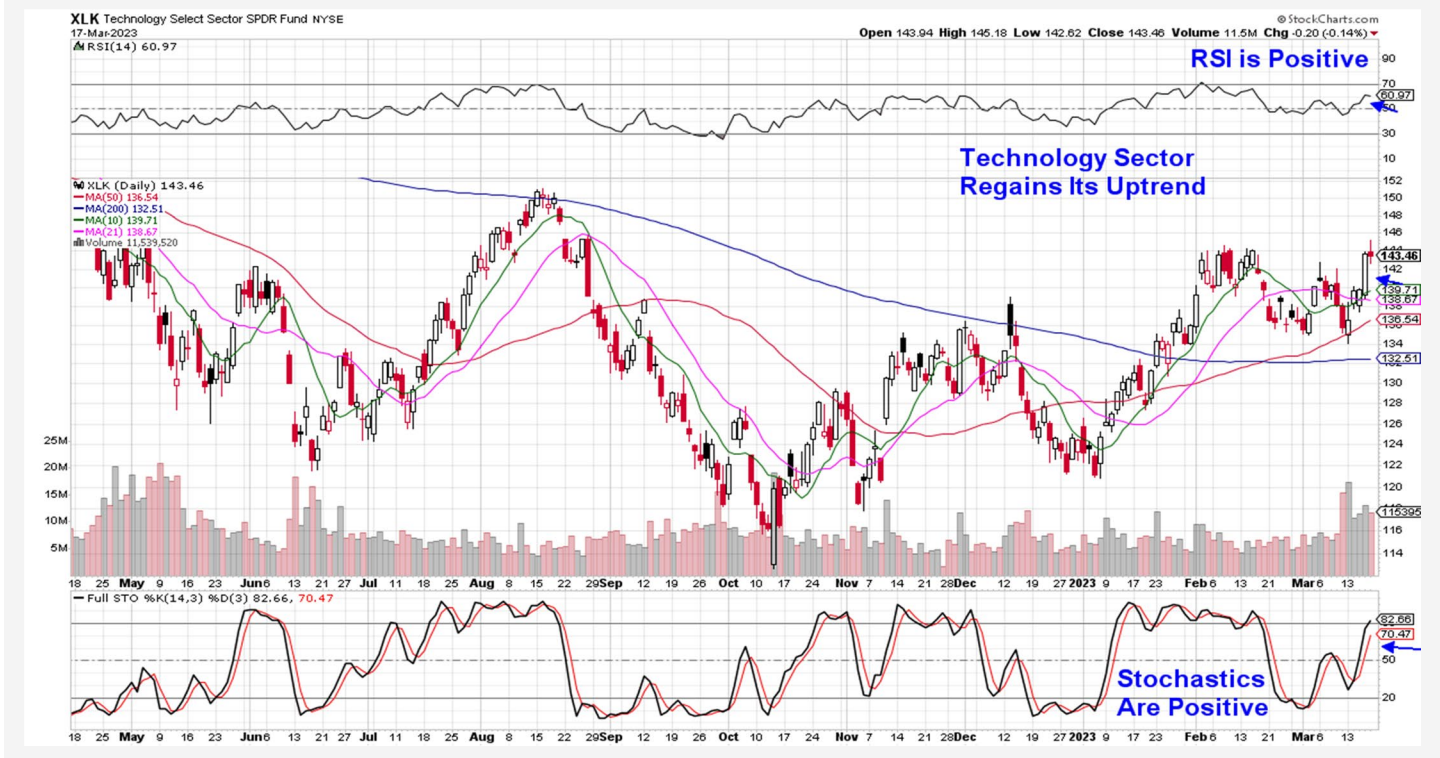
We are continuing to place additional stocks on our Watch List with an eye toward adding them to the Suggested Holdings List should the markets continue to exhibit bullish behavior.

Next week we can be on the lookout for a possible follow-through day in both the Nasdaq and the S&P 500 Index. As you may recall, we would need to see the markets rally by 1.2% or more on increased volume from the prior day. While follow-through days signal a market bottom, not all uptrends are long lasting.

Until then, we remain cautious on our near term outlook for the markets as we head into next week's FOMC meeting in the face of continued banking woes.



## Technology Select Sector SPDR Fund (XLK)



### Technology Sector Close To Regaining February Highs

The Tech sector posted a 5.7% rally that put it back into an uptrend and close to highs reached 5 weeks ago. Heavyweight stock Microsoft (**MSFT**) provided a big boost to this sector after a strong rally on the heels of several Wall Street upgrades due to a positive outlook regarding MSFT's leadership role in OpenAI ChatGPT technology.

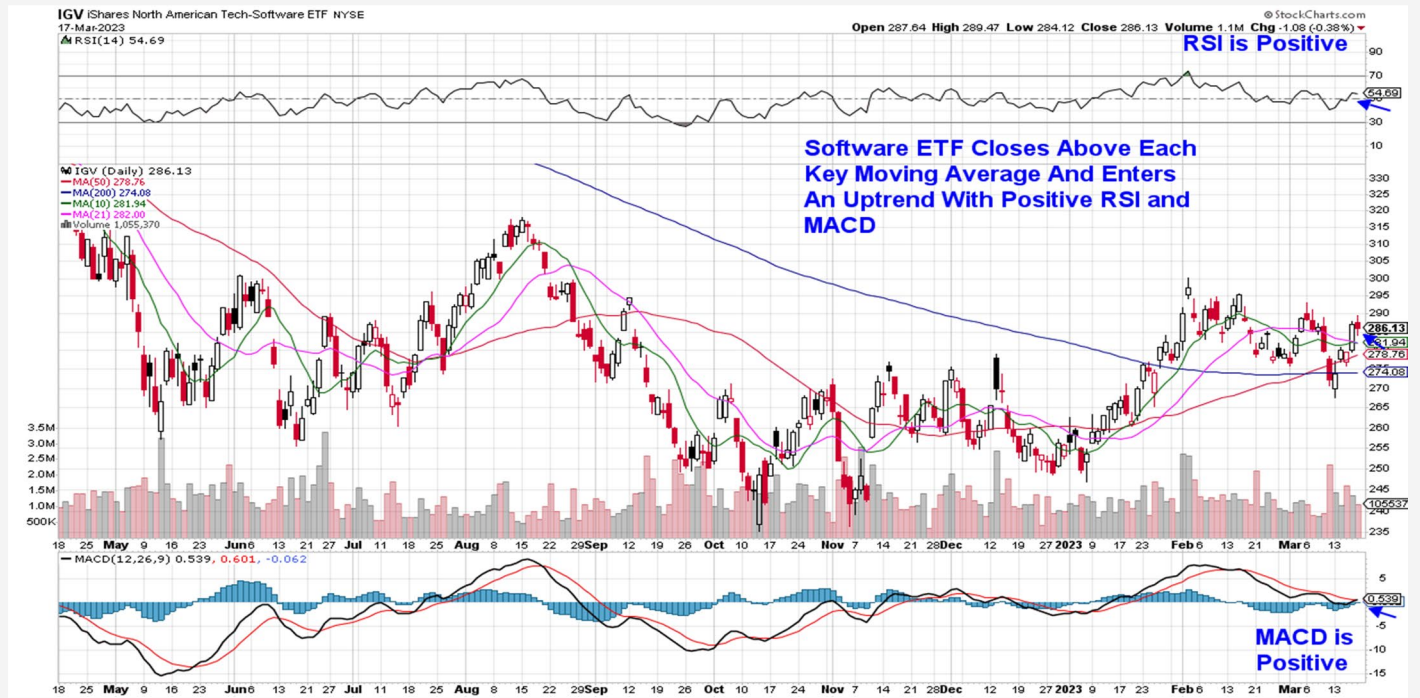
We added Microsoft to our Suggested Holdings List on Thursday following the Nasdaq move into a bullish

status and MSFT looks particularly attractive on its weekly chart with the MACD just entering positive territory. The daily chart is also in a positive position however, the stock is due a pause from which it can spring higher.

Other Software stocks also gained last week in a move that puts this group into an uptrend after moving above its moving averages with a positive MACD and RSI. (using ETF IGV)



## Daily Chart of iShares North American Tech-Software ETF (IGV)



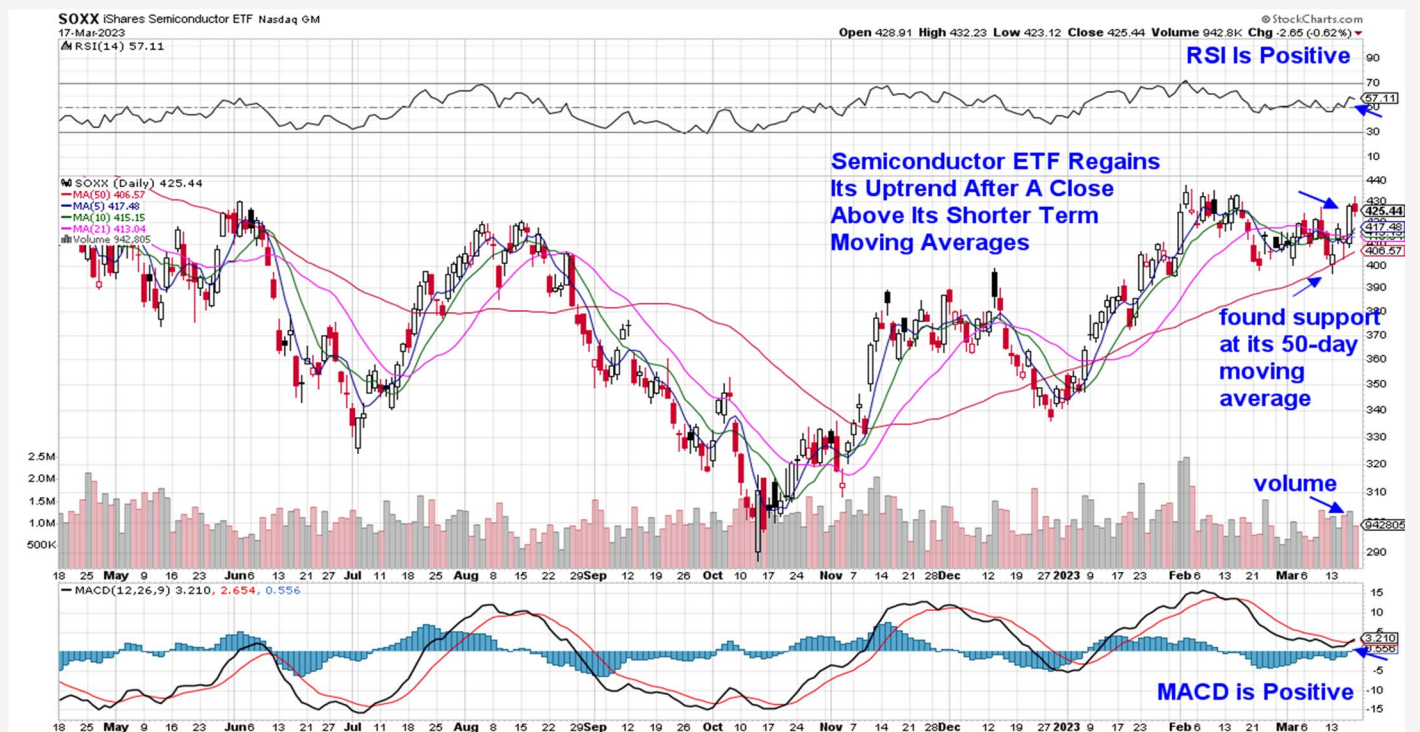
Cadence Design (CDNS) from our List broke out of a 1-month base on heavy volume which puts the stock in a position to trade higher. A bullish MACD crossover on the daily chart is also a positive. We'd be a buyer in the \$204 range at its 5-day moving average.

On Thursday, we also added Software Security stock Fortinet (FTNT) back to our Suggested Holdings List and

Friday's pullback to its 5-day moving average puts the stock in a buy zone. FTNT is close to posting a bullish MACD crossover on the daily chart which would be even more positive for the stock as it would signal a new uptrend.

Semiconductor stocks also posted a strong week with a rally that pushed the group into an uptrend with a positive RSI and a bullish MACD crossover.

## Daily Chart of iShares Semiconductor ETF (SOXX)



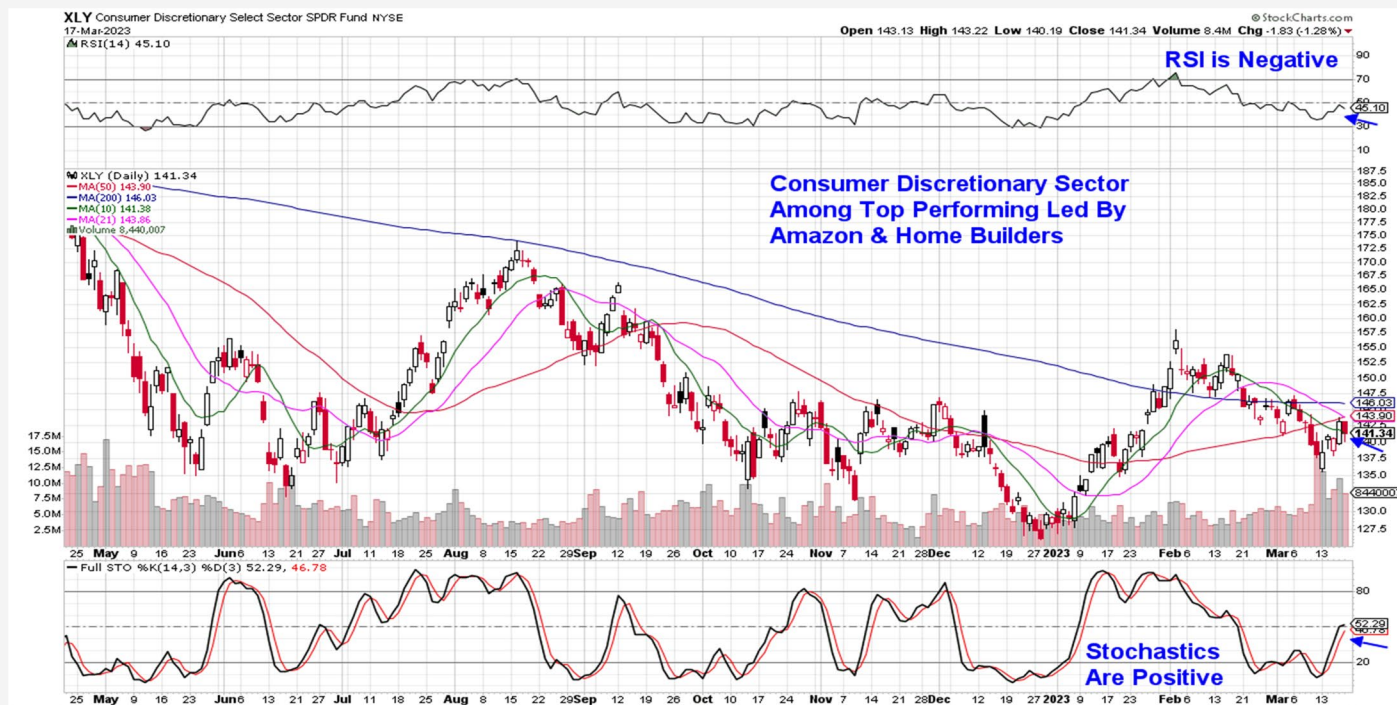
Among Large Cap Semis, Nvidia (**NVDA**) was the biggest gainer with a 12% rally that put the stock at a new one year high in price. The company is considered to be the backbone of AI as they're the leader in graphic processing units and software systems that are used for training AI models.

The company is also seeing strong growth from data centers and the automotive industry which helped them top earnings estimates in late February. NVDA posted a similarly strong weekly gain in late January

and a pullback to the 5-day moving average proved to be an ideal buy point. That level is currently at \$245.

Lattice Semi (**LSCC**) and Broadcom (**AVGO**) from our List posted more modest gains however, they both found support at their upward trending 10-day moving averages on Friday's pullback which keeps their uptrend intact. Both stocks are in a buy zone with AVGO currently exhibiting a bit more upside momentum due to the position of its MACD on the daily chart.

## Consumer Discretionary Select Sector SPDR Fund (XLY)



## Consumer Discretionary Sector Remains In A Downtrend

Discretionary stocks got a boost last week from a 9% rally in heavyweight stock Amazon (**AMZN**) which posted gains due to news of the 2024 launch of their satellite delivered broadband service. In addition, the company's web services division is making inroads in the Artificial Intelligence (**AI**) arena.

The retail sales division of the company has not seen growth however, as was evidenced by their dismal quarterly results figures in early February.

In fact, the S&P Retail ETF (**XRT**) lost 3.7% last week and remains in a downtrend which began in early February. The deterioration in these stocks began with negative earnings reports and/or growth outlooks from major Retailers such as Walmart (**WMT**) and Target (**TGT**) as well as Home Depot (**HD**) and others.

Last week, Retail Sales data for February showed the 3rd monthly decline in the past 4 months while Consumer Sentiment numbers were also down.

There are very select bright spots in this group however such as recently removed Crocs (**CROX**) which was a winner on our Suggested Holdings List until its recent break below key support at its 50-day moving average.

Another outperformer has been Wingstop (**WING**) which remains on our Suggested Holdings List. The company reported same store sales 3 weeks ago that were well ahead of estimates due to new product lines.

WING rallied 10% last week in a move that pushed this stock back above its shorter term moving averages and into an uptrend. With the rally taking place on above average volume coupled with a bullish MACD crossover last week, WING is poised for further upside as it



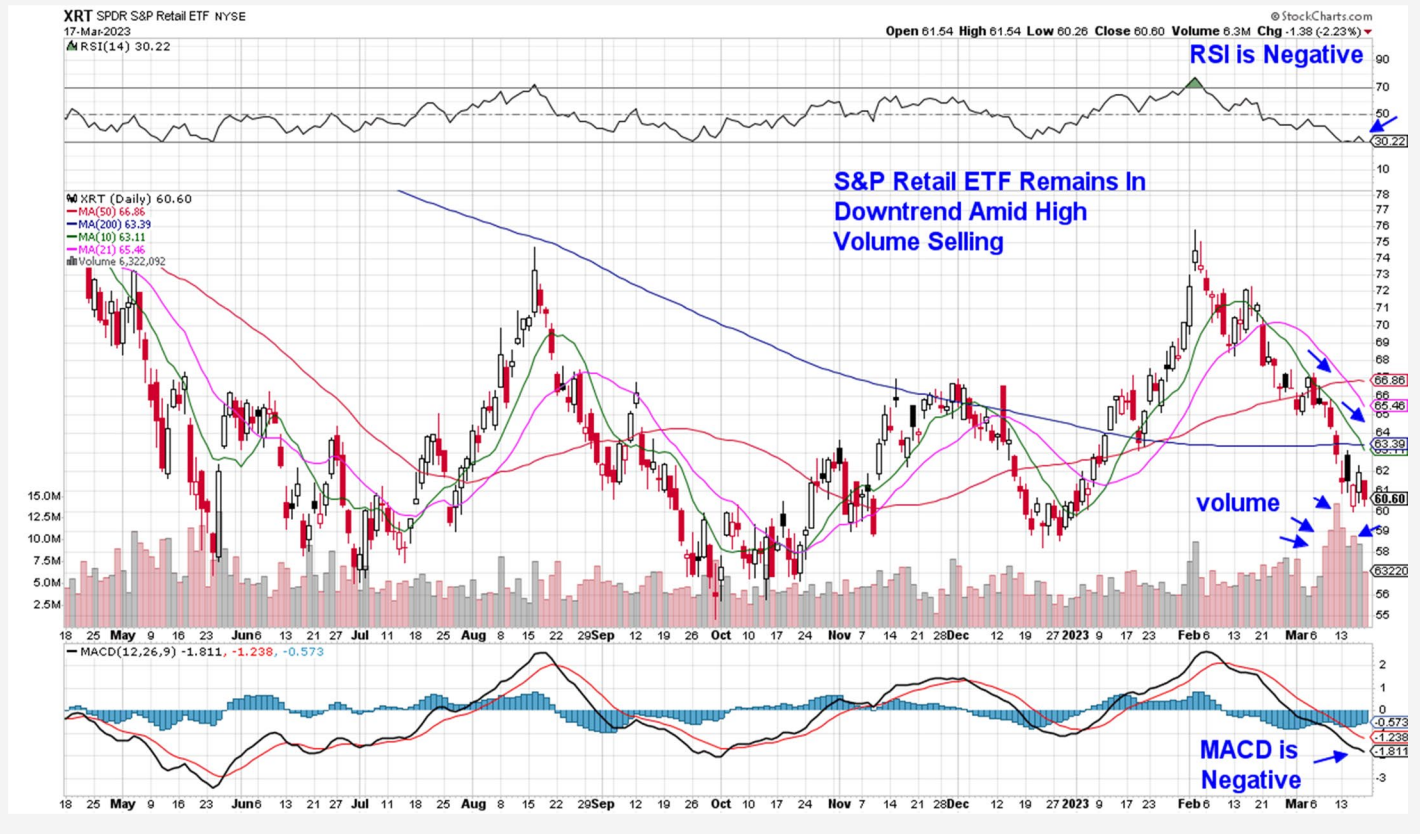
approaches its late February high in a bid for a base breakout.

Housing stocks were the only other bright spot among Discretionary stocks last week amid bullish housing data for February and lower interest rates. A strong

earnings report from Home Builder Lennar (LEN) last week also helped the group.

On Tuesday, heavyweight Retailer Nike (NKE) will be releasing their earnings and their results may sway other apparel and footwear companies.

### Daily Chart of SPDR S&P Retail (XRT)



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## Industrial Select Sector SPDR Fund (XLI)



### Industrial Sector Remains In A Downtrend

Industrials underperformed amid a sharp drop in Airline stocks as recession fears picked up. Other areas of Transportation also fell such as Trucking and Rail. A decline in transportation stocks signals a negative outlook for the economy among investors.

One bright spot among Transports was Fedex (FDX) which reported strong quarterly results with management guiding estimates higher for the

remainder of the year. The stock bucked the downtrend elsewhere and gapping up in price into a base breakout.

Paccar (PCAR) is the only name on our Suggested Holdings List in this sector and the stock declined in line with its peers. We're removing Paccar (PCAR) after its close below its 50-day moving average on heavy volume.

## Additional Sector Commentary

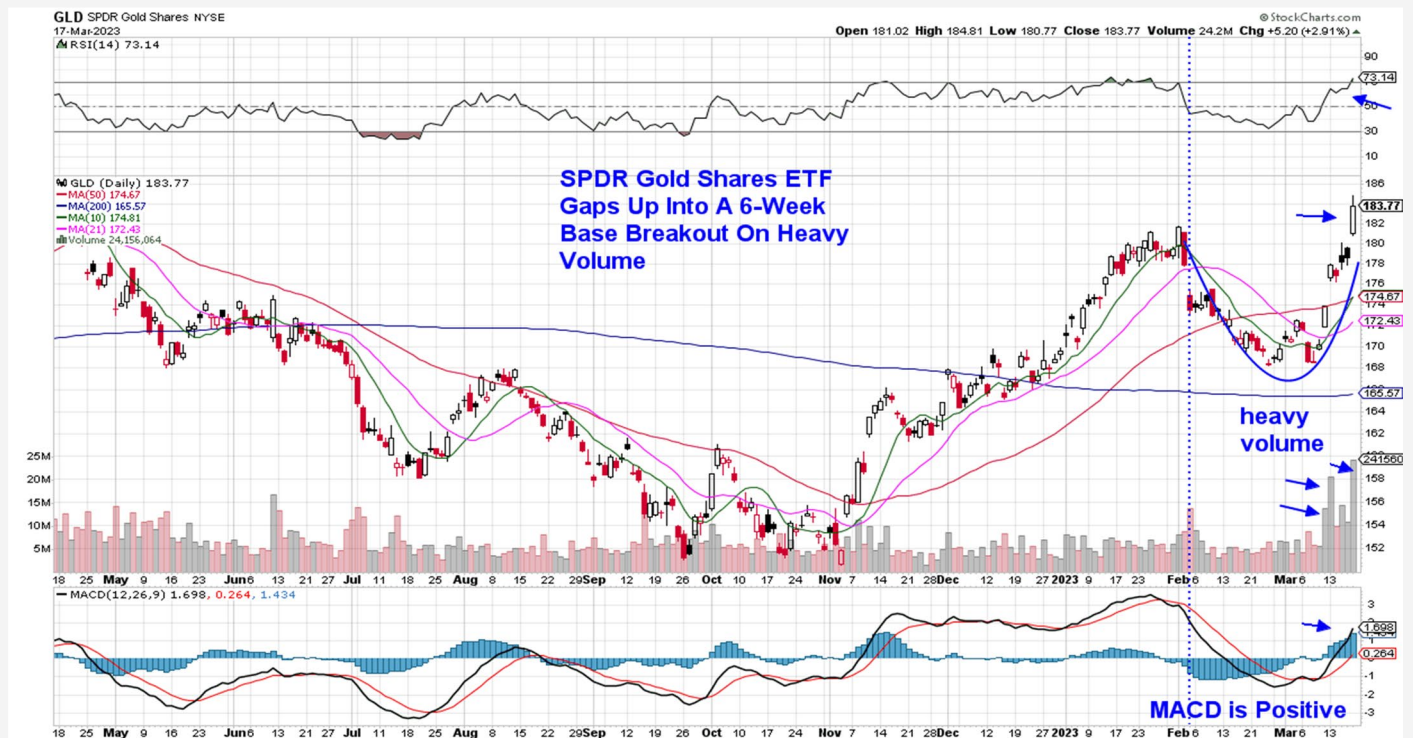
Most Basic Materials stocks were hit hard as global recession fears reduced the demand outlook for Steel and Aluminum. However, Gold stocks gained 6% as investors sought out safe haven assets. Near term, we expect to see further upside in Gold as risk sentiment may remain elevated as more bank issues are uncovered.

For those invested in Gold (GLD), you can formulate an exit strategy by using the early February period in the chart below as guidance. At that time, the RSI turned negative accompanied by a negative MACD crossover.

In addition, Defensive areas of the market are bubbling up as investors seek less risky, higher yielding stocks. Utilities gained 4% last week however, the sector is not in an uptrend quite yet.

Among the defensive Healthcare sector, Medical Products stocks are the strongest with companies that have reported positive earnings and sales exhibiting relative outperformance. We've added several of these names to our Watch List.

### Daily Chart of SPDR Gold Shares (GLD)





# Summary

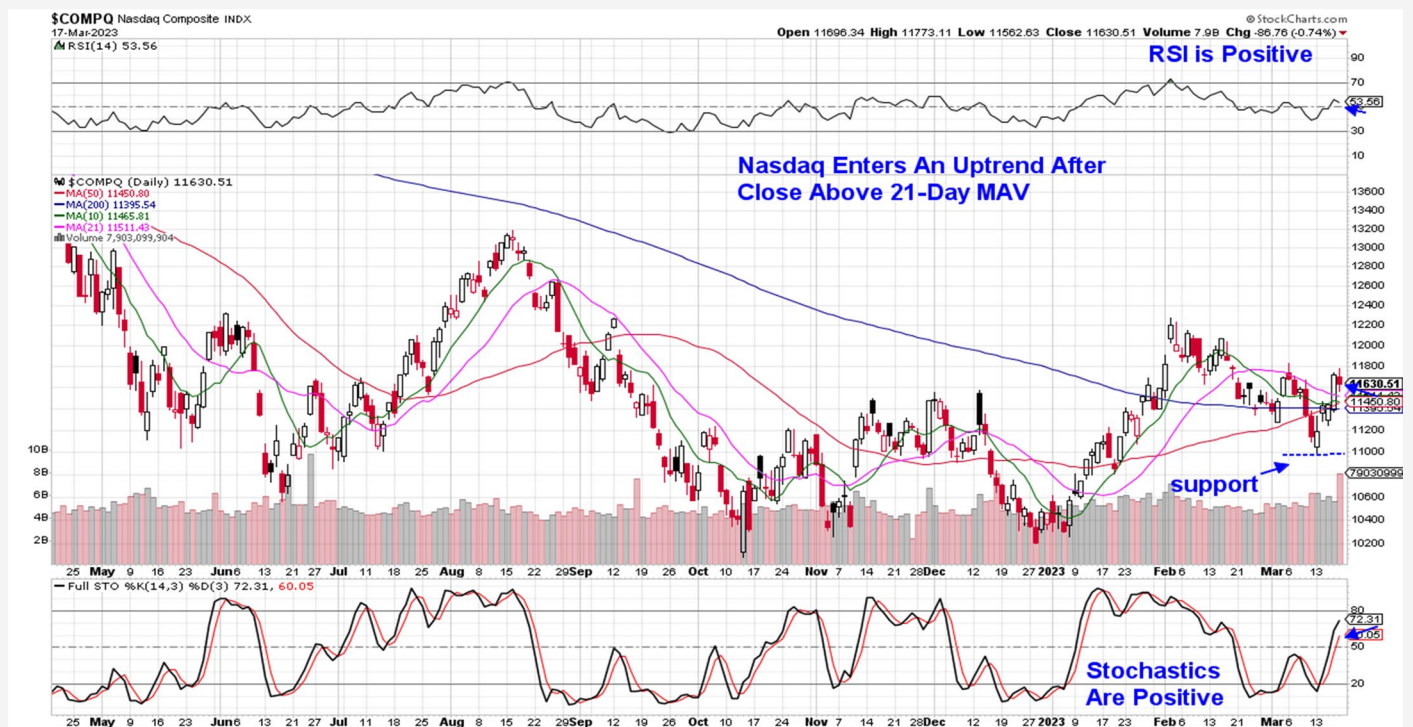
While the markets were volatile last week, they showed surprising resilience despite the unfolding of a possible banking crisis.

That resilience will be put to the test next week, when the Federal Reserve reveals whether they'll keep raising interest rates at their meeting or take a pause to help stem turmoil in the markets that's been due to recent bank failures.

Also closely watched will be Fed Chair Powell's comments regarding the future path of interest rates as prior to the banking problems, it was noted that rates would need to move above 5% and remain there until inflation was tamed.

In today's report, we highlighted the new uptrend in the Nasdaq and signaled that most stocks on our List are in a buy zone. We would continue to tread lightly however, as the Fed's policy decision and the possibility of additional banking woes may keep volatility heightened.

Daily Chart of NASDAQ Composite (COMPQ\$)



# 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
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## TECHNOLOGY

AVGO	Broadcom Inc.	\$632.80	3/5/2023	0.0%	-	Software
CDNS	Cadence Design	\$196.12	3/5/2023	6.0%	-	Software
FTNT	Fortinet Inc.	\$61.80	3/16/2023	-1.0%	-	Software
LSCC	Lattice Semiconductor	\$88.60	3/5/2023	1.5%	-	Semiconductor
MSFT	Microsoft	\$276.20	3/16/2023	1.0%	-	Semiconductor
NVDA	Nvidia Corp	\$178.40	1/22/2023	37.5%	-	Semiconductor

## INDUSTRIALS

PCAR	Paccar Inc.	\$75.70	2/20/2023	-9.0%	-	Automotive
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## CONSUMER DISCRETIONARY

WING	Wingstop Inc.	\$157.80	1/29/2023	29.5%	-	Restaurant
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# Glossary of Terms Used From Our Suggested Holdings

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## 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.

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