



THE MEM EDGE

Midweek Report

Wednesday March 22, 2023

- Federal Reserve Raises Rates by 0.25%
- Powell Signals That Rate Hike Target Is 5.1% With No Lowering This year
- Weekly Jobless Claims Tomorrow, Durable Goods Order & Flash Services & PMI Reports For March Report on Friday
- Core PCE Data Due Next Week

The S&P 500 has gained 0.5% for the week in a move that's pushed this Index closer to its 50-day moving average with the Stochastics now in positive territory. The close below this key 50-day moving average as well as a negative RSI keeps us negative on the prospects for the broader markets.

A close above the 50-day as well as a positive RSI would have us reconsidering our stance.

Should we see a close above the 50-day mav, the next area of possible upside resistance for the S&P 500 would be the 4100 level. Should we see a pullback, the next area of support for this Index would be its mid-March lows which is 3.2% away.

The Nasdaq has gained 0.3% which keeps this Tech heavy Index above each of its moving averages. With the RSI and Stochastics in positive territory, the near term uptrend in this Index remains in place. Of note however, is the fact that the Nasdaq was unable to



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retain a move above the 12000 level which is widely viewed as a key level of longer-term resistance.

Should the Nasdaq pull back further after today's drop, the next area of possible support is its 50-day moving average which is 1.3% away.

Both the S&P 500 and the Nasdaq were in a position this week to possibly post a follow-through day which according to William O'Neil's work, has signaled every market bottom. However, the needed 1.2%+ gain coupled with volume greater than the prior day has not occurred.

CHART OF SPX





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This week, the markets had been trending higher going into today's FOMC meeting amid UBS's acquisition of Credit Suisse in Europe. Positive comments from Treasury Secretary Yellen regarding the stable condition of the banking industry also helped.

Fed Chair Powell's comments following today's meeting pushed the markets lower despite raising rates by the expected 0.25%. This is because of his expectations that a worsening credit crunch due to banking woes may negatively impact the economy.

The result was a drop in stocks with Bank names getting hit the hardest while select areas of Technology and Consumer Discretionary relatively outperformed.

Semiconductor stocks are up very slightly on the week led by gains in Nvidia (**NVDA**) and Lattice Semi (**LSCC**) from our List which have rallied 3% and 2.5% respectively for the week. Both stocks are sitting at their 5-day moving average after pulling back from near-term highs today which puts them in a buy zone.

Broadcom (**AVGO**) has also pulled back to its 5-day moving average and similar to NVDA and LSCC, the stock has a positive RSI and MACD. In addition, the Semiconductor group remains in an uptrend. (using ETF SOXX).

While these stocks are technically in a buy zone, we would add to positions with caution until the fallout from Powell's comments and in turn, more positive market conditions develop.

Software stocks were mostly flat for the week with each of the software stocks on our Suggested Holdings List remaining in an



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uptrend despite pulling back, as they're above key moving averages with their RSI and MACD in positive territory.

This would include Cadence Design (**CDNS**), Microsoft (**MSFT**) and Fortinet (FTNT).

Tomorrow's weekly jobless claims report is upcoming as is Friday's Flash PMI reports which have been known to sway the markets. Also on Friday, Fed President Bullard will be speaking and this event has been market moving in the past as well.

We will alert you with a special report tomorrow should we see a rally which pushes the markets into a more positive near term uptrend however until then, we would keep any new positions very light.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report