



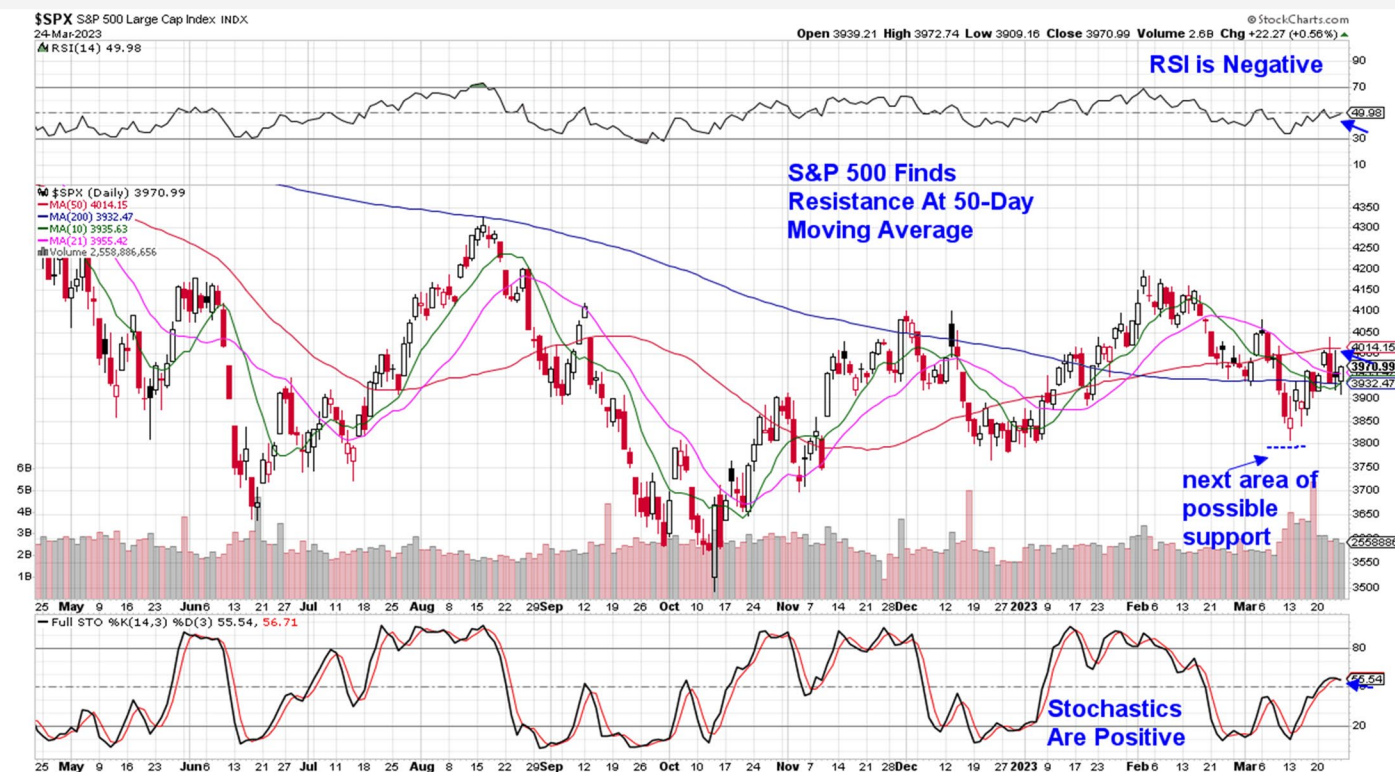
# THE MEM EDGE

March 26th, 2023 / Weekly Report

## This Week's Highlights

- Federal Reserve Raises Rates by 0.25%
- Powell Signals That Rate Hike Target Is 5.1% With No Lowering This year
- Weekly Jobless Claims Increase, Durable Goods Orders Drop
- Core PCE Data and Q4 GDP Number Due Next Week
- Consumer Confidence Due Tuesday & Consumer Sentiment Reports Friday
- Four Fed Officials Speaking Throughout The Week

### Daily Chart of S&P 500



The S&P 500 gained 1.4% last week in a move that keeps this Index below its key 50-day moving average and while the faster moving Stochastics have entered positive territory, the RSI remains below 50 and in a negative position. The S&P 500 remains in a downtrend.

In order for a new uptrend to be established, we'd need this Index to close above its 50-day moving average with the RSI turning positive. At this time, the 50-day moving average is 1.1% away. The next higher area of possible upside resistance for the S&P 500 is the 4100

level which was briefly surpassed in early February before pulling back.

As for possible support for the S&P 500, the 200 day moving average is the next area and it's 1% below its current price. A close below this moving average would have us looking at the March lows for possible support which is 4% away.

The Nasdaq fared a bit better with a 1.7% rally that kept the uptrend - which was established the prior

week - firmly in place with both the RSI and Stochastics in positive territory.

Possible support for this Index on any pullback will be each of its moving averages with the 50-day moving average being the most critical and now 2.3% away, while the 200-day moving average is the last area of possible near term support and is 3.8% away.

This Tech heavy Nasdaq continues to be led higher by outperformance in most of the FAANMG stocks however, last week's rally was also spurred by gains in well known Biotech stocks after they posted positive news. We'll continue to monitor Biotechs, as a move into these stocks would point to an appetite for riskier assets and be a positive for the markets.

Overall, the markets have been quite resilient given the uncertain backdrop however, it was another volatile period as the global banking system's weakness may have shifted the Federal Reserve's path.

The central bank must now support banks with liquidity, while continuing to battle inflation. In addition, Fed Chair Powell acknowledged that recent banking related developments will likely result in tighter credit conditions and weigh negatively on economic activity.

In other words, the banking crisis may do the heavy lifting for the Fed so that further interest rate hikes may not be needed to slow the economy and hence, inflation. Traders are now pricing in the possibility of rate cuts taking place as soon as July of this year.

Safer haven areas of the market such as Gold and U.S. Treasuries traded higher amid the uncertainty however, Large Cap Growth stocks continue to outpace the broader markets.

Growth stocks historically fare well in an environment of declining interest rates as this elevates the value of their future earnings and at this time well capitalized companies such as FAANMG names are being favored, as they won't be as impacted by tight credit conditions.

Over the near term, anxiety surrounding the banking sector will continue to drive volatility in the markets. While the futures and bond markets are signaling a possible rate cut later this year, Fed Chair Powell made it clear that any stabilization in the banking system would result in a resumption of their rate hike campaign.

Elsewhere in the markets, select Industrial and Basic Material stocks are stemming losses while also posting higher lows. This price action often precedes further upside and we've added Large Cap cyclical names that are firming up to our Watch List, as they remain below key resistance.

On Friday, defensive areas of the market fared the best with Consumer Staples turning positive after closing above each of its moving averages. The Healthcare and Utility sectors remain in a downtrend.

We've added select Staples stocks to our Watch List as we're on the lookout for the sector to close higher above its 50-day moving average to confirm its new uptrend before adding them as buys.

Given the crosscurrents relating to interest rate projections as well as uncertainty surrounding the banking system, we remain cautious on the near term prospects for the markets.



## Technology Select Sector SPDR Fund (XLK)



### Technology Sector Remains In An Uptrend

Tech sector was the 3rd top performing sector with a 1.7% gain that was helped by a base breakout into a 3.4% gain for heavyweight stock Apple (AAPL). AAPL is in a confirmed uptrend amid analyst upgrades such as Goldman's first buy rating on the stock in almost six years.

In addition to citing Apple's solid base of users, expectations of a rumored iPhone SE upgrade at a modest price is boosting earnings estimates. We're adding AAPL to our Suggested Holdings List and the stock is in a buy zone as it finds support at its 5-day moving average.

Semiconductor stocks gained less than the broader markets however, they remain in an uptrend after posting a 7-week base breakout on Thursday that occurred on above average volume. (using ETF SOXX)

Among Larger Cap Semis, Nvidia (NVDA) was the top performer last week with a 4% gain that occurred on heavy volume.

NVDA remains in a confirmed uptrend as the stock finds support at its upward trending 5-day moving average. While NVDA is in an overbought position on its daily chart with its RSI above 70, it has been able to trend higher in the past despite being overbought such as earlier this year, in late January into February.

We'll be closely following the RSI on the daily chart to ensure it remains positive. The health of the Semiconductor group overall will also have an impact. At this time, both are in an uptrend. Longer term, the MACD just turned positive on the monthly chart of NVDA and it joins a positive RSI. This is quite bullish for the longer term prospects for NVDA.

NVDA's CEO was a keynote speaker at the global AI conference last week where he noted that AI applications are at an inflection point due to accessibility and ease of use. NVDA's AI related business has surpassed gaming as the largest portion of its growth.

Lattice Semiconductor (LSCC) also provides AI solutions however they're focused on the auto and industrial areas. The stock has seen its momentum shift into a more sideways direction after its run up into earnings earlier this month. We would lightly add to positions at this time.

Broadcom (AVGO) has also recently been trending higher at a slower pace than its peers. The company introduced a powerful product earlier this month that speeds up the transfer of data which has applications in AI however, the MACD and RSI are not showing upside momentum at this time. AVGO can be added to at this level.

Among smaller cap Semiconductors, Aehr Test Systems (AEHR) has a very attractive chart and is poised to trade higher after last week's base breakout on volume. The gains occurred amid news of a large contract for their product used in EV power conversions which has seen very high demand.

We're adding AEHR to our Suggested Holdings List however, the company is due to release earnings on Thursday after the market closes. Short term traders may want to take a small position and sell before the report while longer term investors will want to wait until after the release of results before initiating a position.

Software stocks posted a 1.7% gain for the week that was led by sharp gain in gaming stock Activision (ATVI) after the U.K. backed away from concerns regarding Microsoft's (MSFT) acquisition of the company.

Microsoft (MSFT) from our List also rallied on the news in a move that had this stock regaining its base breakout level of \$277 from which it trended higher. MSFT is in a buy zone with the longer term weekly chart

looking particularly attractive after its MACD entered positive territory. This bodes well for the longer term outlook for the stock.

Software Security stock Fortinet (FTNT) outperformed its peers with a 3% rally for the week that was punctuated by a Thursday 5-week base breakout amid a bullish research note from Wall Street. FTNT was cited as having one of the best business growth setups for this year among its peers and the stock is in a buy zone after posting a bullish MACD crossover on its daily chart.

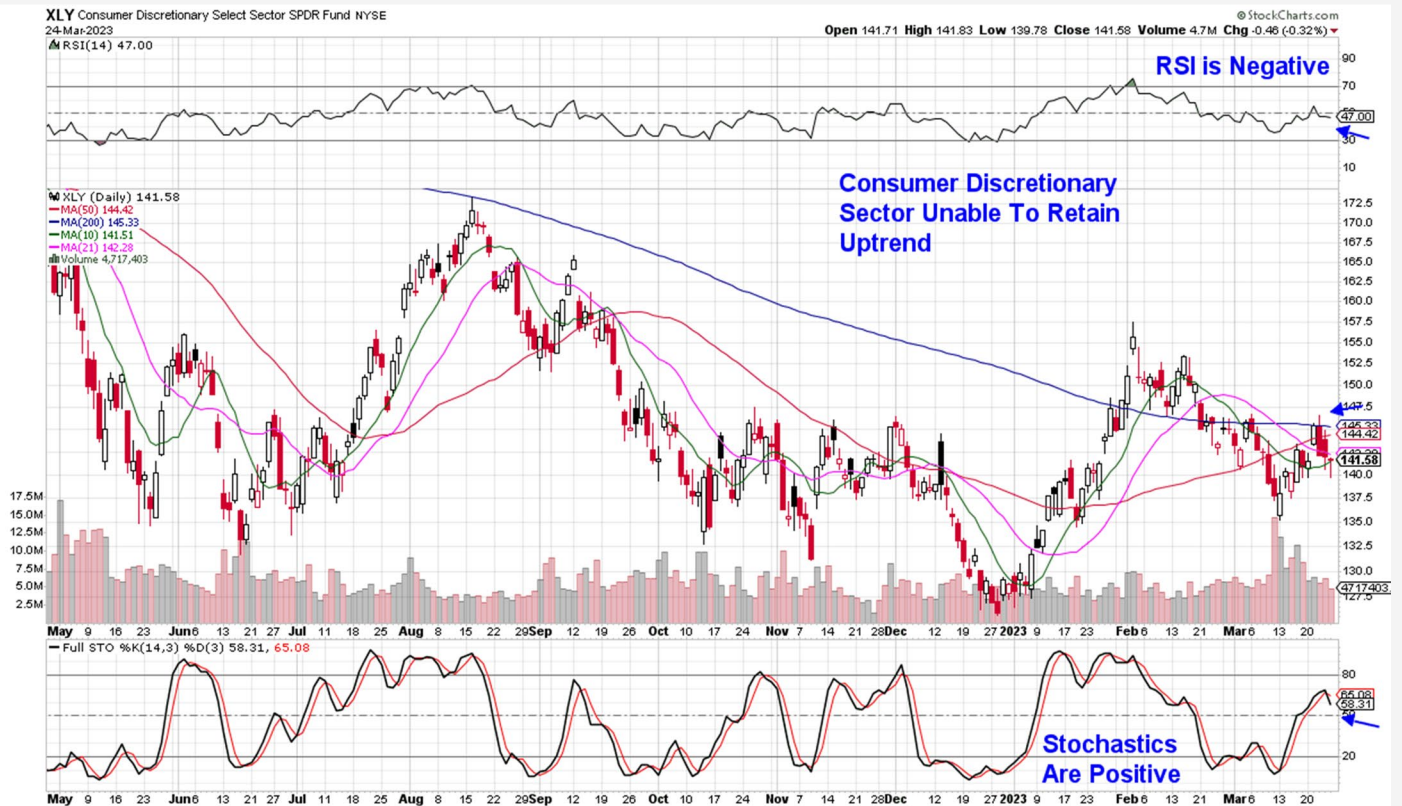
Cadence Design (CDNS) remains in an uptrend as it finds support above its shorter term moving averages. The company provides design software for electronic systems that have been instrumental in AI-enabled data analytics as well as AI learning.

CDNS has a monthly chart that signals further upside ahead with the MACD posting a bullish crossover. Near term, we'll continue to monitor the daily chart which at this time, points to an uptrend as well. The stock is in a buy zone.





## Consumer Discretionary Select Sector SPDR Fund (XLY)



### Consumer Discretionary Sector Among Weakest Areas

Consumer Discretionary stocks briefly entered an uptrend on Wednesday after the sector moved above its 200-day moving average with both the RSI and Stochastics entering positive territory. Fed Chair Powell's comments regarding the possibility of a weakened economy amid a credit crunch, pushed the group back into a downtrend.

Retail stocks were the hardest hit with the S&P Retail ETF (XRT) remaining in a downtrend. There were bright spots within this group however, as discount retailers that fare well during a recession are moving closer to being in an uptrend. This would include Walmart (WMT) and Costco (COST) as well as smaller discounters Five Below (FIVE). Each of these names are on our Watch List.

Lower priced fast food provider McDonald's (MCD) is in an uptrend with the 2.2% yielder now trading above each of its moving averages while in an uptrend. We're adding MCD to our Suggested Holdings List as the company has seen profit margins and same store sales improve amid the digitalization of their ordering processes.

MCD is in a buy zone however, we're on the lookout for a MACD crossover on the weekly chart to indicate momentum that would push the stock higher over a longer time frame.

Wingstop (WING) from our List traded mostly sideways as it digested last week's double digit gain. The stock is in a buy zone after pulling back to its 10-day moving average with the RSI and MACD in positive territory.

# Summary

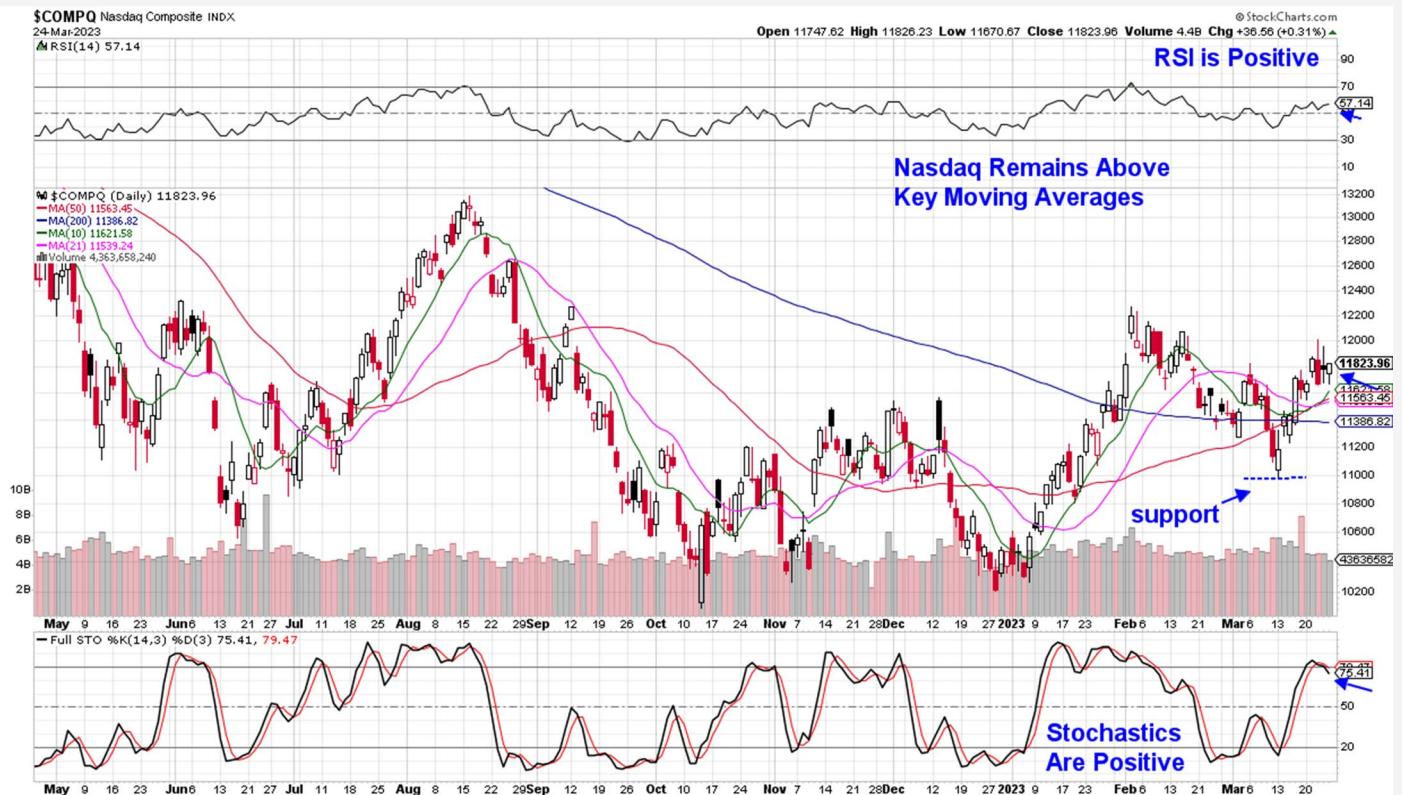
The broader market Indices have held in relatively well amid the turmoil in the financial system. A cautious stance is still warranted however, as breadth has been narrow and key areas of possible upside resistance remain for the S&P 500 Index.

In general, the markets do not like uncertainty and with the Federal Reserve's interest rate policy now muddier than ever, we may see an exaggerated response to key inflation data due this Friday (core PCD report), as well as comments from four Fed officials who'll be speaking throughout the week.

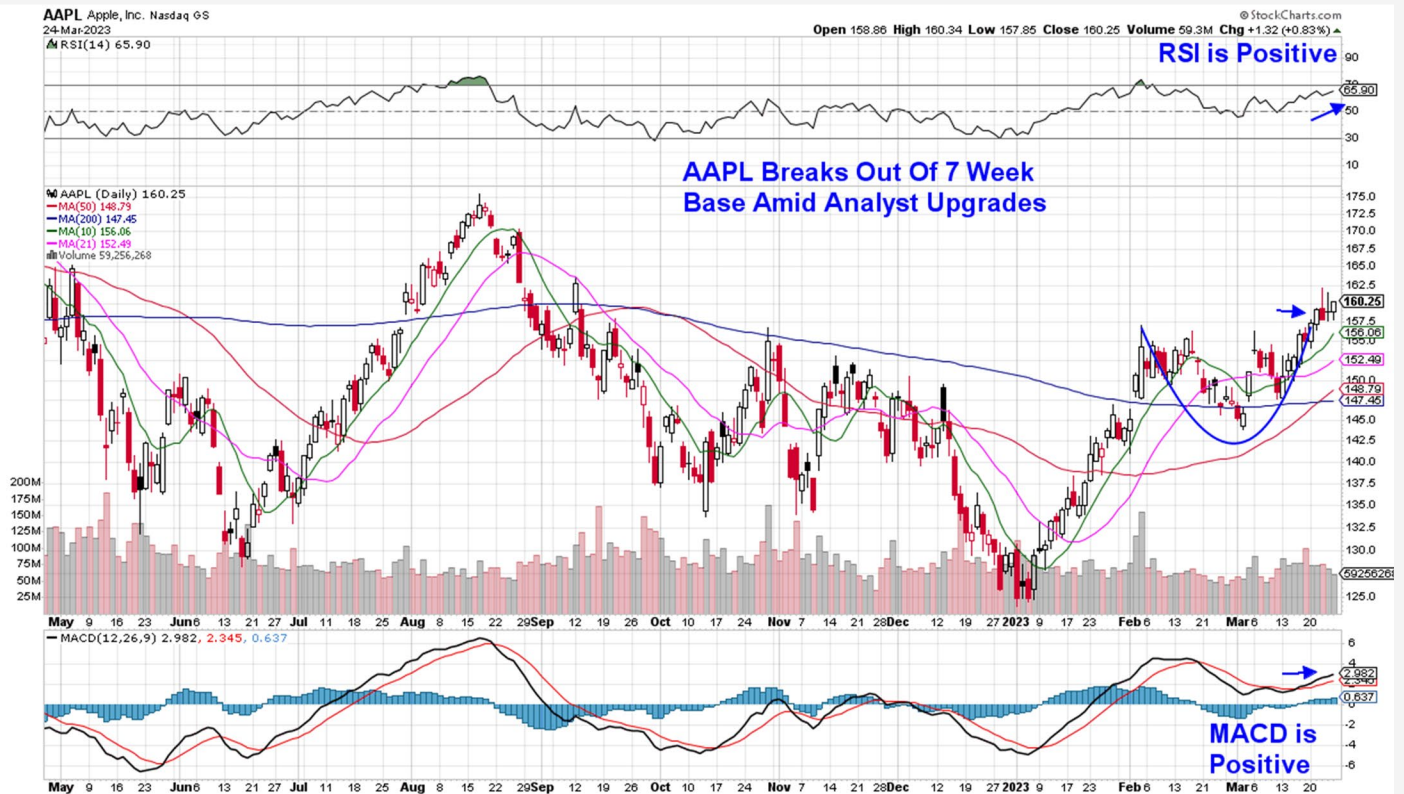
Earnings reports may also play a part in swaying price action next week with retailer Lululemon (LULU) due to report results on Tuesday, while bellwether Semi stock Micron Technology (MU)'s results will be revealed on the same day.

At this time, we'll continue to favor stocks that have strong growth prospects and positive charts while advising you to keep positions light. In addition, we're broadening our Watch List to include Growth stocks in favored areas as well as stocks that fare well in a recession such as innovative Biotechs and Aerospace and Defense stocks to name just two areas.

## Daily Chart of NASDAQ Composite (\$COMPQ)



## Daily Chart of Apple, Inc. (AAPL)

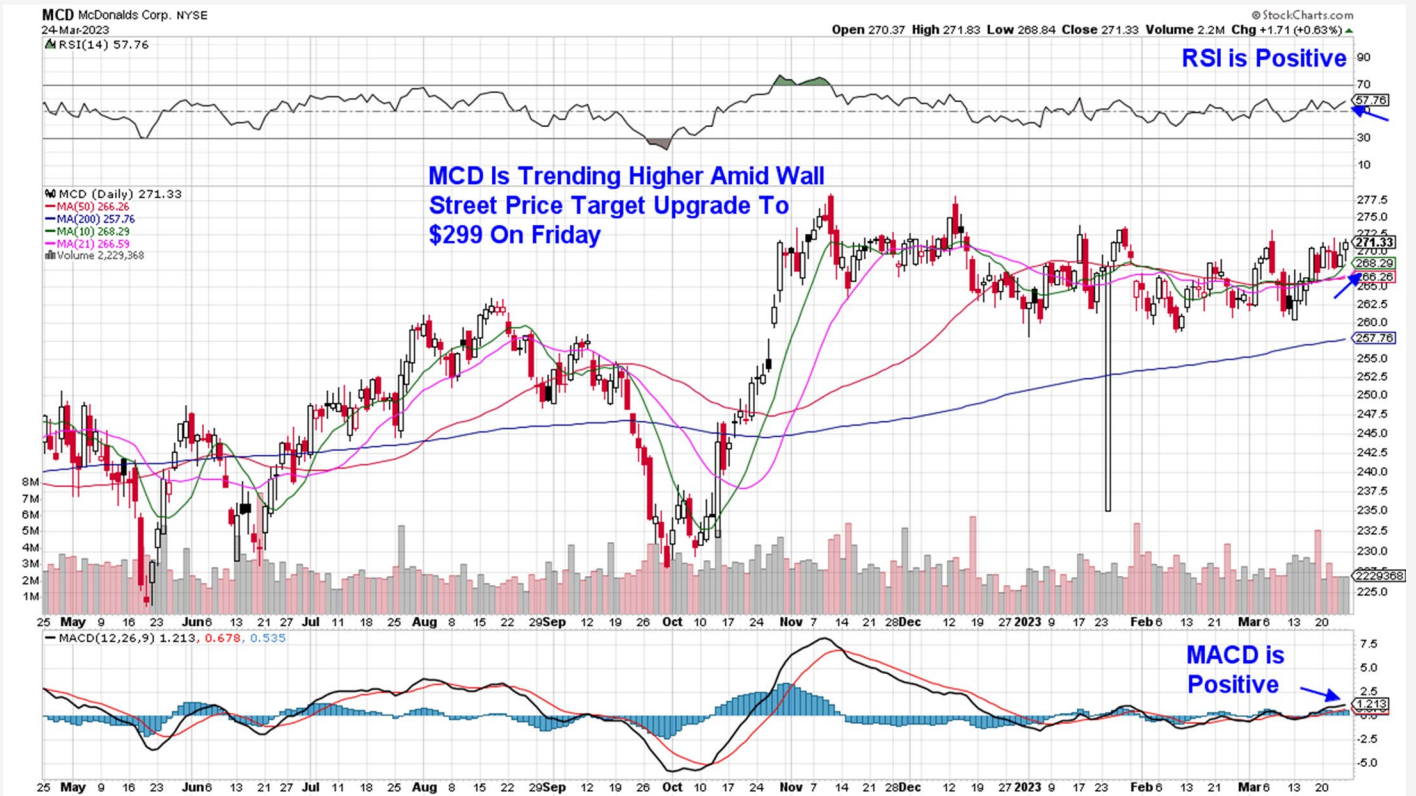


## Daily Chart of Aehr Test Systems (AEHR)





## Daily Chart of McDonald's Corp (MCD)



The  
**MEMEdge**  
WEEKLY REPORT



# MEM Edge Report Suggested Holdings

*Stocks With Emerging Leadership Characteristics*

\$ = Earnings Due	Buy Zone	Strong Buy	Buy on Pullback	Removed From List
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SYMB	COMPANY	CURRENT PRICE	DATE ADDED	PERFORMANCE	EARNINGS DUE DATE	INDUSTRY GROUP
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TECHNOLOGY						
AEHR	Aehr Test Systems	\$38.10	3/26/2023		Earnings Due	Semiconductor
AAPL	Apple	\$160.30	3/26/2023		-	Computer Hardware
AVGO	Broadcom Inc.	\$632.80	3/5/2023	1.0%	-	Semiconductor
CDNS	Cadence Design	\$196.12	3/5/2023	5.0%	-	Software
FTNT	Fortinet Inc.	\$61.80	3/16/2023	2.0%	-	Cybersecurity
LSCC	Lattice Semiconductor	\$88.60	3/5/2023	3.0%	-	Semiconductor
MSFT	Microsoft	\$276.20	3/16/2023	1.5%	-	Semiconductor
NVDA	Nvidia Corp	\$178.40	1/22/2023	41.5%	-	Semiconductor

CONSUMER DISCRETIONARY						
MCD	McDonald's Corp	\$271.30	3/26/2023		-	Restaurant
WING	Wingstop Inc.	\$157.80	1/29/2023	30.5%	-	Restaurant

# 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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