



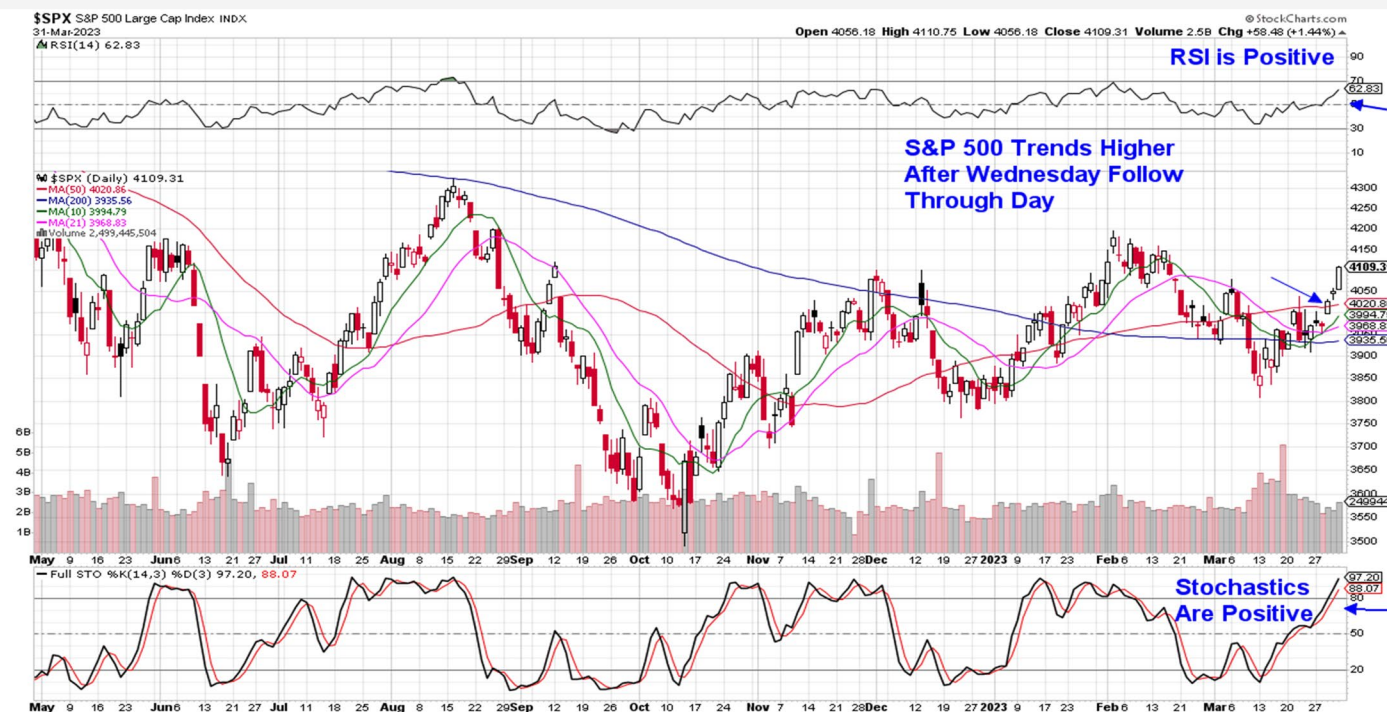
# THE MEM EDGE

April 2, 2023 / Weekly Report

## This Week's Highlights

- S&P 500 Posts Follow Through Day While Nasdaq Enters Bull Phase
- Pending Home Sales Rise For Third Month In A Row
- Fourth Quarter GDP Revised Lower
- Consumer Spending and Sentiment Retreat
- Core PCE Shows Inflation Softening In February
- March Employment Report Due Amid Shortened Week

### Daily Chart of S&P 500



The S&P 500 gained 3.5% last week in a move that pushed this Index further into an uptrend following Wednesday's follow-through day that signaled a near term bottom. In addition, the S&P 50 closed above the 4100 level which was a key area of possible upside resistance.

On the weekly chart of the S&P 500, the Stochastics have joined the RSI in positive territory which occurred 2 times during 2022 and in turn, signaled an additional 3 weeks of gains before rolling over - in late August and mid- December.

That said, the mid-December pullback in the S&P 500 gave way to a significant rally in January. Of note is that the Stochastics on the weekly chart remained in positive territory in December. (see chart below)

We will continue to monitor the weekly chart as a positive Stochastics will support a longer term uptrend bias for the markets.

The Nasdaq gained 3.4% last week in a move that pushed this Index above the 12000 level which had been a key area of possible upside resistance. The Nasdaq also experienced a follow-through day on Wednesday.

Longer term, the weekly and monthly charts of the Nasdaq have an RSI that's just entering positive territory which bodes well for the longer term prospects for this Index.

While the markets are currently in an uptrend as signaled by the follow through day, a true market bottom is marked by a reversal of the key event that brought the markets into bear status.

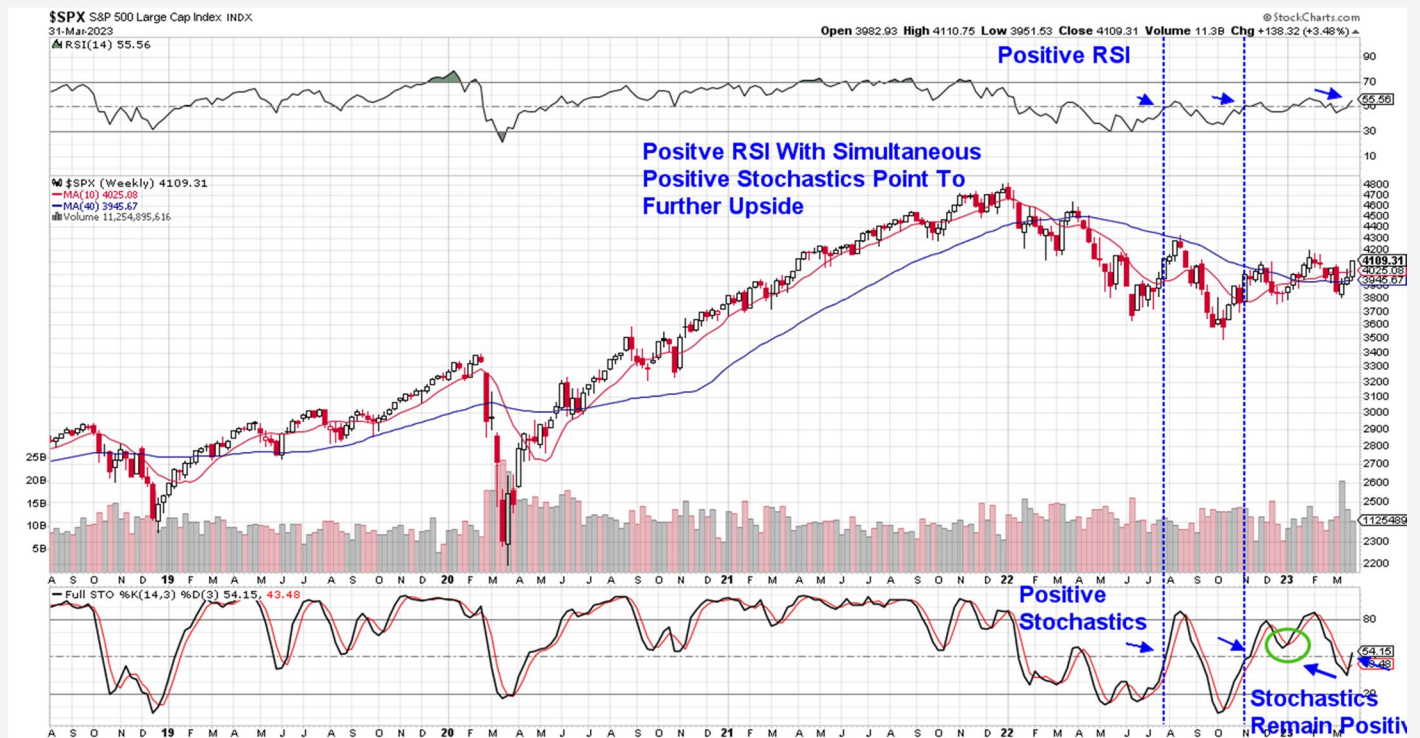
This would be high inflation which brought on the Fed's rate hike campaign as a way to combat it. Inflation has begun to show signs of receding with last week's core PCE number for February showing deceleration. However, further evidence of lower inflation will be needed. As for the possibility of higher interest rates, the Fed's stance remains in the balance with their next meeting taking place in early May.

Next week, the March jobs report will be closely watched for signs of a slowdown in both employment as well as hourly wages. High employment has kept spending and hence inflation elevated.

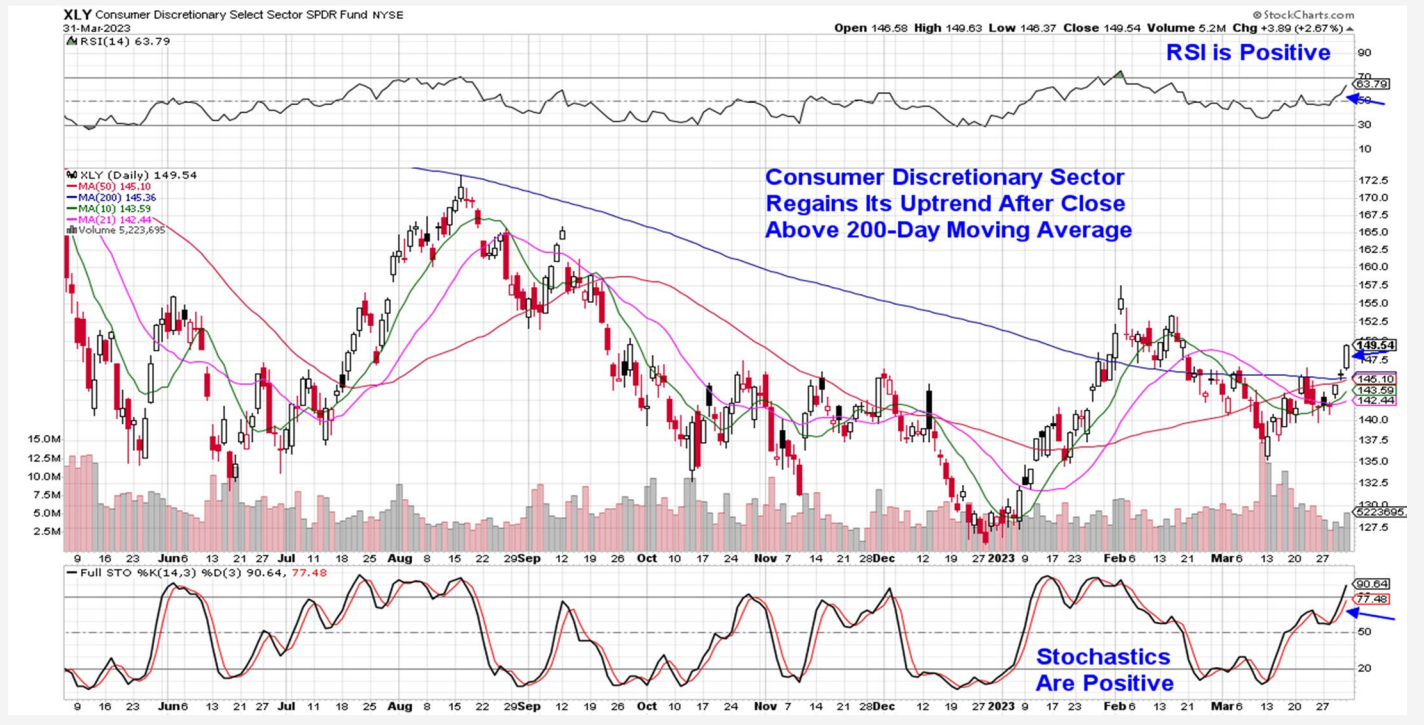
Last week's rally in the markets was broad based with every sector posting a gain. Most notable was a move back into Industrials and Consumer Discretionary stocks with both sectors now in an uptrend, where they join the already uptrending Tech sector.

This broadening out in the markets occurred as concerns regarding further bank problems have receded. In addition, economic data helped ease concerns of further interest rate hikes as signs of slowdown in the economy emerged.

### Weekly Chart of S&P 500



## Consumer Discretionary Select Sector SPDR Fund (XLY)



### Consumer Discretionary Sector Is Among Top Performing

Consumer Discretionary stocks received a boost from outperformance in both Tesla (TSLA) and Amazon (AMZN) which are heavyweights in this sector.

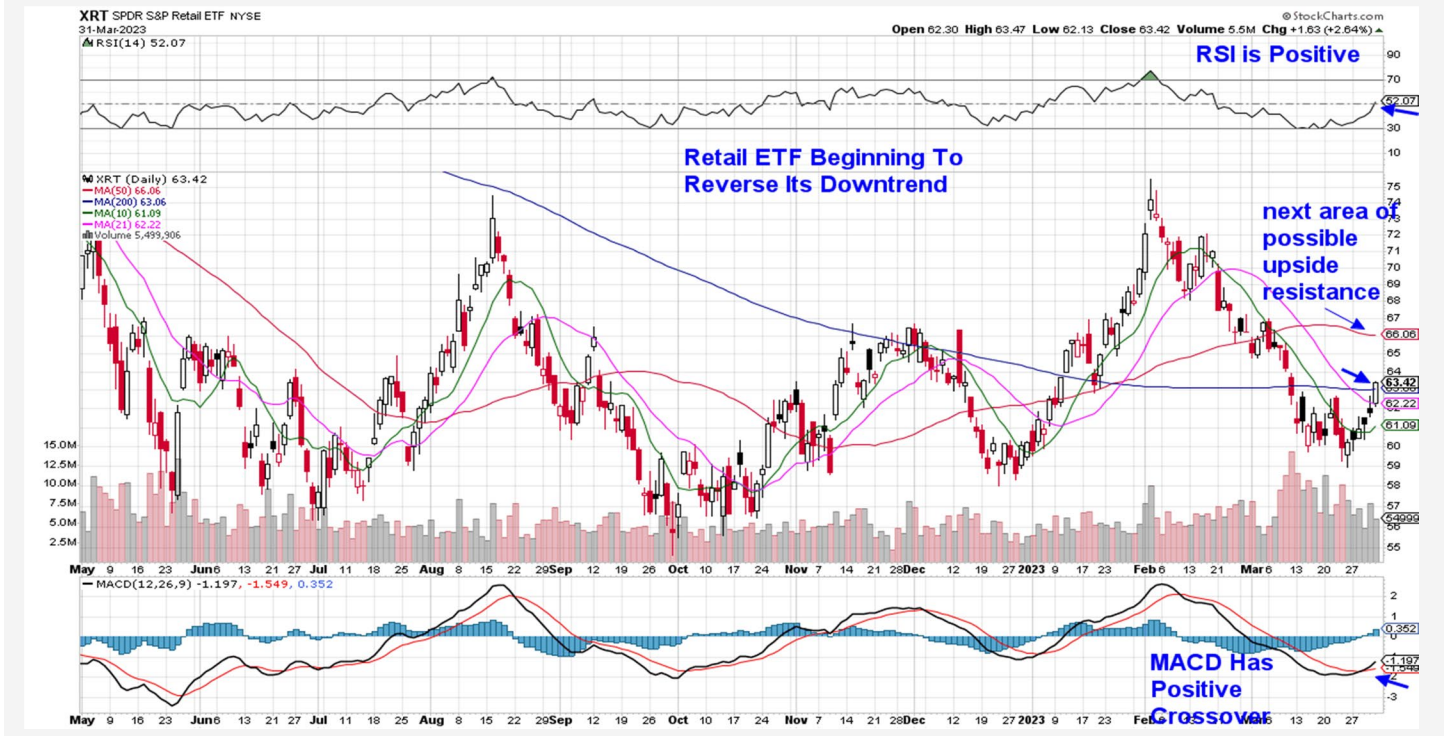
Other auto stocks such as General Motors (GM) and Ford (F) also posted outsized gains ahead of the release of their 1st quarter auto sales numbers on Monday. Analysts are bullish on the prospects for strong results due to increased inventory and continued demand. Tesla (TSLA) released their quarterly numbers on Sunday and deliveries came in below estimates.

Each of these auto stocks are in an uptrend however, they remain below key moving averages. Tesla is on our Watch List and we were on the lookout for a move back above its 200-day moving average; however, their lower than expected delivery numbers may override their strong sales numbers that were released today.

Retail stocks are in the beginning stage of reversing their 2 month downtrend after last week's rally put the group above its 200-day moving average with a positive RSI. (using ETF XRT)



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



McDonalds (**MCD**) is also getting the attention of Wall Street with positive foreign exchange dynamics improving the company's growth prospects according to analysts. MCD is very close to a 5-month base breakout and is in a buy zone.

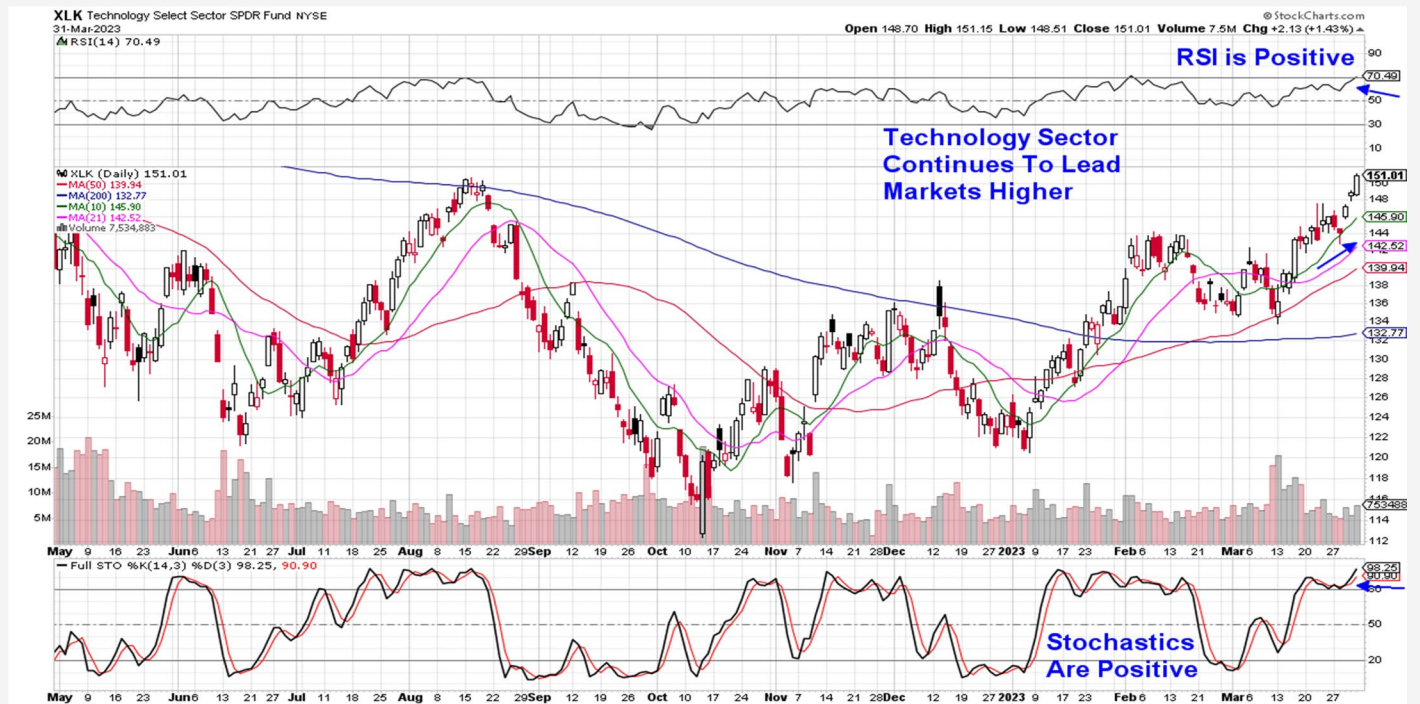
Elsewhere in Restaurant stocks, Wingstop (**WING**) from our List traded sideways for the week as it digests an 8% gain from earlier in the month. The stock closed the week above its 10-day moving average and is in a buy zone.

We're adding Ulta Beauty (**ULTA**) to our Suggested Holdings List after last week's 5-week base breakout

puts the stock into a new uptrend. ULTA reported strong earnings results last month with management guiding growth estimates higher for the remainder of this year. ULTA is in a strong buy zone.

We're also adding Walmart (**WMT**) to our List as it's in a strong uptrend with the stock very close to a 5-week base breakout at \$148. Walmart received 2 major Wall Street upgrades on Thursday which cited the company's pivot to a growth mode that's expected to remain in place for the next 2 years. The stock is in a buy zone.

## Technology Select Sector SPDR Fund (XLK)



### Technology Sector Remains In An Uptrend

The Tech sector remains in a leadership position with a rally on Friday pushing the group out of an 8-month base. Software stocks were particularly strong last week with many down and out names bouncing out of oversold positions.

Recently strong Software names also fared well with Fortinet (**FTNT**) from our List trending higher after a base breakout the prior week. FTNT is finding support at its upward trending 5-day moving average and can be bought in the \$65 range. The weekly chart points to further longer-term upside.

Recently added Shift4 Payments (**FOUR**) is also in a confirmed uptrend following Thursday's 1-month base breakout into an uptrend. The stock can be bought on a pullback to its 5-day moving average in the \$72 range.

Cadence Design (**CDNS**) and Microsoft (**MSFT**) from our List both broke out of a 2-week base on volume Friday and are now in a strong buy zone. MSFT can be bought in the \$281 range and CDNS in the \$206 range.

This week we're adding ServiceNow (**NOW**) to our Suggested Holdings List after a Friday rally pushed the stock above its 50-day moving average with the MACD now in positive territory. The provider of software for workflow automation has seen its earnings estimates revised higher for both this year and next amid strong demand for their products.

Semiconductor stocks performed in line with the markets for the week after a sharp drop in Aehr Test

Systems (**AEHR**) from our List dampened performance among other Semi stocks on Friday. While the company reported strong earnings that were ahead of estimates, management's subdued outlook for growth this quarter pushed the stock much lower.

As mentioned in last week's report, short term investors were advised to consider selling the stock before earnings while longer term investors could evaluate the stock after results were released.

For those who owned the stock through the sharp decline, we would use the drop on March 2nd as precedence. AEHR fell 34.7% from which it was able to recover. The first step will need to be a regaining of its 50-day moving average coupled with a positive RSI which would put the stock on track to regain its uptrend.

We're removing AEHR from our Suggested Holdings List.

Other Semis on our List fared better with Lattice Semi (**LSCC**) recovering from a move below its 21-day moving average to close the week above its 10-day mav and in a strong buy zone. Lattice Semiconductor provides AI solutions to the auto and industrial areas.

Nvidia (**NVDA**) is a leader in the AI space and the stock remains in a confirmed uptrend as it finds support at its upward trending 5-day moving average. The monthly chart of NVDA looks particularly attractive with the MACD just posting a bullish crossover. (black line up

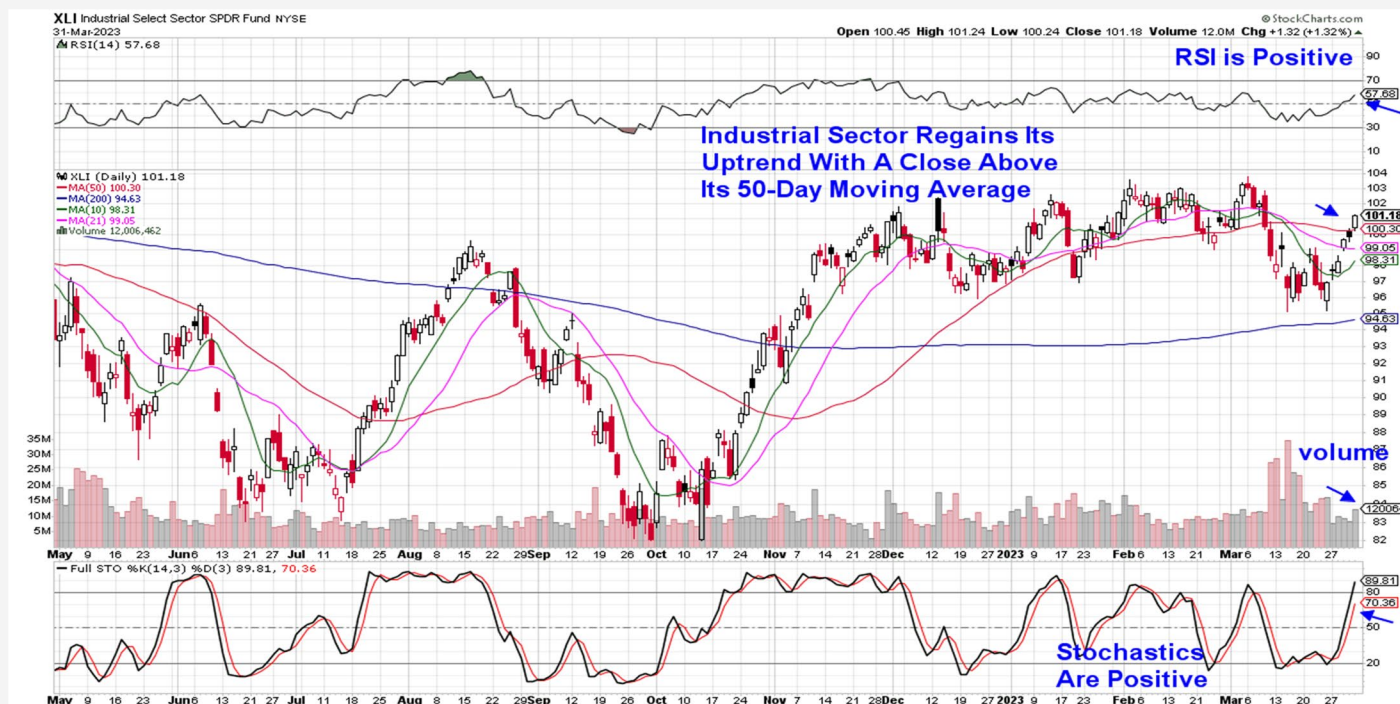
through the red) This bodes well for continued, longer term upside for the stock.

Apple (AAPL) remains in a confirmed uptrend with positive momentum indicators. The stock can be

bought on a pullback to the \$161 range at its 5-day moving average.

The Technology sector has proven itself to be a leadership area of the markets and we expect to continue to add stocks from this group as the markets progress higher.

### Industrial Select Sector SPDR Fund (XLI)



#### Industrial Sector Regains Its Uptrend

Industrial stocks were led higher by a rally in Transportation stocks with Airlines and Rail stocks outperforming the markets. These stocks are economically sensitive and last week's gain was a recovery rally as recession fears due to the banking crisis has receded.

Other areas among Industrials also came to life with TransDigm Group (TDG) regaining its uptrend from earlier in the year. The company manufactures components for the aerospace industry and has a history of posting strong earnings amid high demand for their products.

TDG is in a buy zone as it continues to trend higher after closing above its 50-day moving average.

Other stocks in this sector from our Watch List have also moved back above their shorter term moving averages and into an uptrend however, their MACD's remain in negative territory. This would include Deere (DE), Dover (DOV) and Rockwell Automation (ROK).

We anticipate adding these stocks to our Suggested Holdings List as their MACD's turn positive.



# Summary

The markets closed a positive yet volatile first quarter where strength in Technology was able to offset the weakness in banks. At this time, the turmoil in the banking system appears to have moved the end of the Fed's rate hike campaign forward which has investors more confident that the peak in bond yields has been reached.

This is good news for Growth stocks which fare better in a declining rate environment.

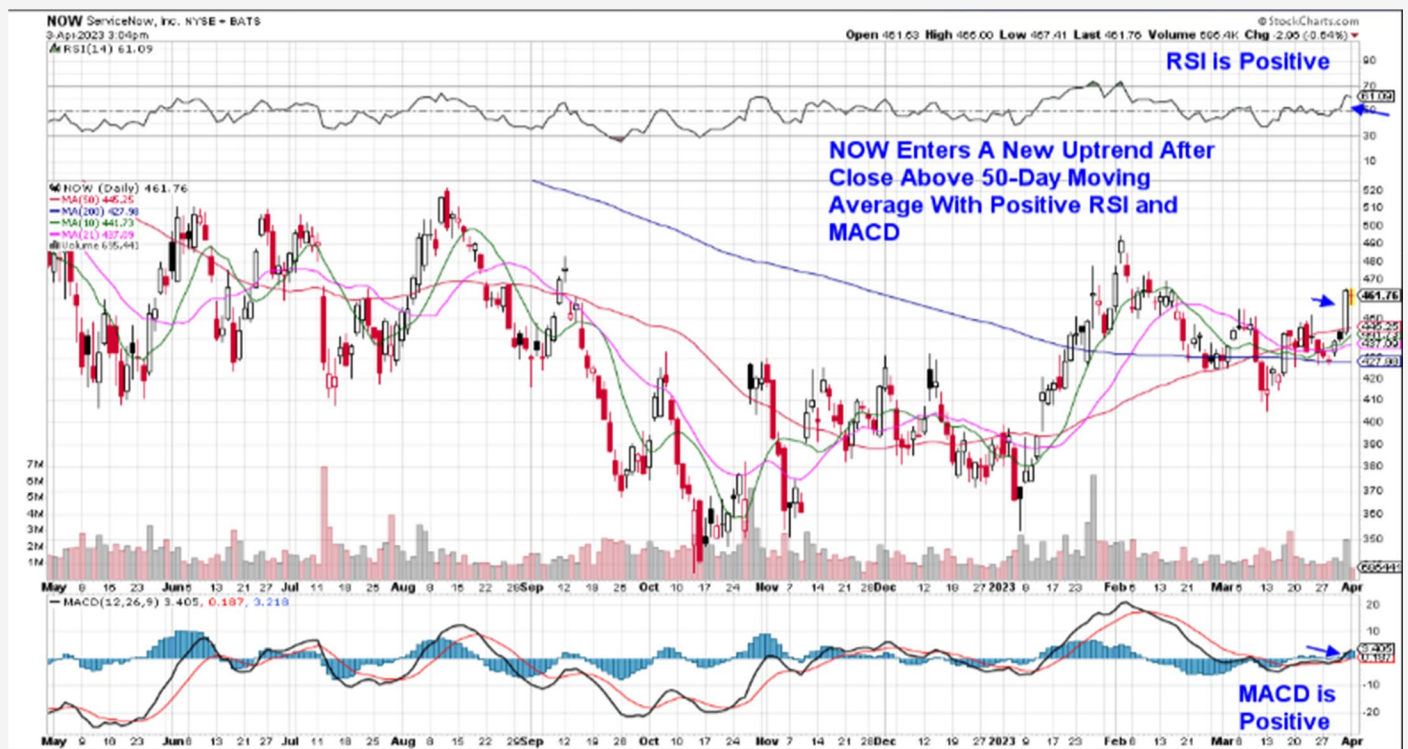
The next FOMC meeting will take place May 2nd and 3rd and comments at that time are expected to solidify the Fed's rate hike pace for the remainder of the year.

Other factors are also at play for the markets however, with spillover from the banking crisis expected to tighten lending conditions which may slow the economy more than desired. With this dual backdrop, we will continue to favor Growth stocks while maintaining a slight defensive bias by suggesting stocks such as Walmart and McDonalds that fare well in a recession.

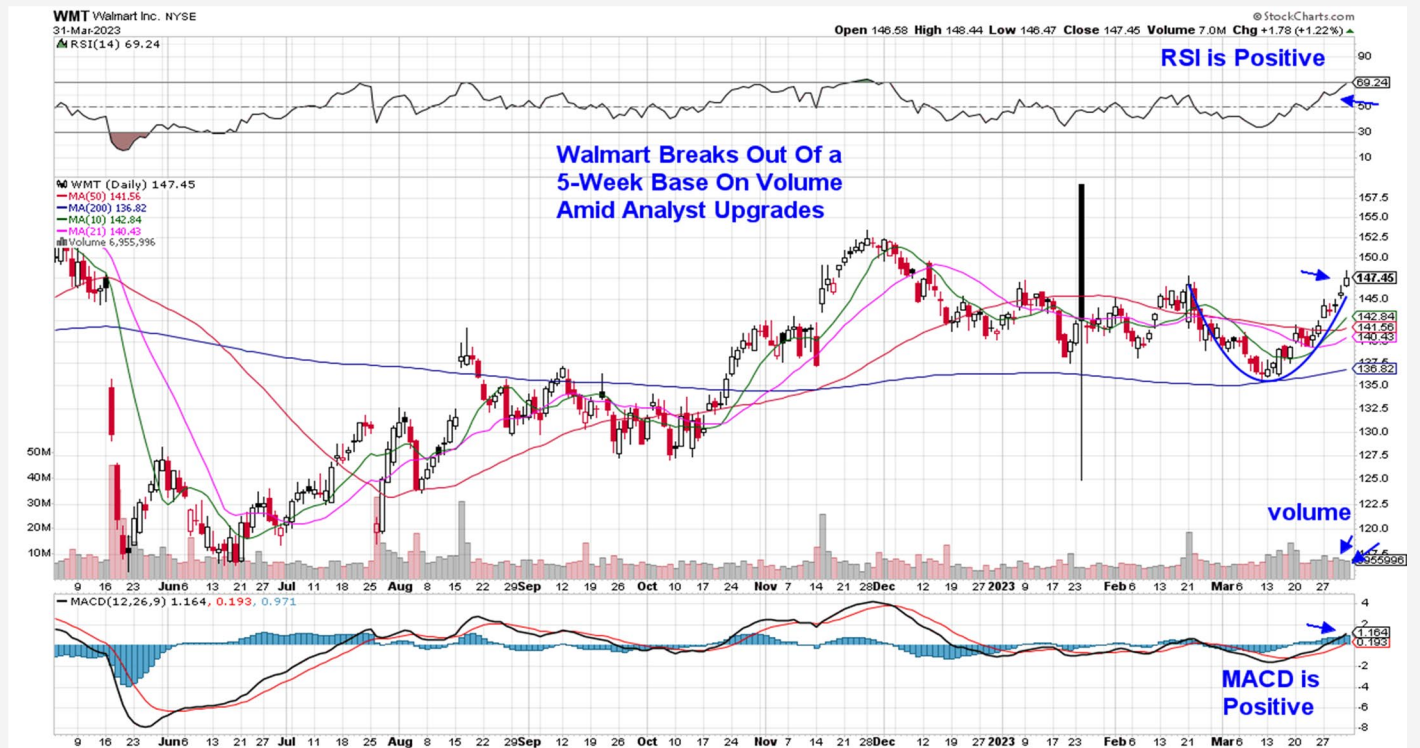
At this time, our cautious stance on the markets has been removed and additional funds can now be put to work.

Next week is a holiday shortened period with the markets closed on Friday.

Daily Chart of ServiceNow, Inc. (NOW)



## Daily Chart of Walmart Inc. (WMT)



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

SYMB

COMPANY

CURRENT  
PRICE

DATE  
ADDED

PERFORMANCE

EARNINGS  
DUE DATE

INDUSTRY GROUP

## TECHNOLOGY

AEHR	Aehr Test Systems	\$38.10	3/26/2023	-19.0%	-	Semiconductor
AAPL	Apple	\$160.30	3/26/2023	3.0%	-	Tech Hardware
AVGO	Broadcom Inc.	\$632.80	3/5/2023	2.0%	-	Semiconductor
CDNS	Cadence Design	\$196.12	3/5/2023	8.0%	-	Software
FOUR	4Shift Payments	\$71.00	3/29/2023	6.5%	-	Software
FTNT	Fortinet Inc.	\$61.80	3/16/2023	7.5%	-	Software
LSCC	Lattice Semiconductor	\$88.60	3/5/2023	8.0%	-	Semiconductor
NOW	ServiceNow	\$464.70	3/5/2023	0.0%	-	Software
MSFT	Microsoft	\$276.20	3/16/2023	4.5%	-	Semiconductor
NVDA	Nvidia Corp	\$178.40	1/22/2023	45.5%	-	Semiconductor

## INDUSTRIALS

TDG	TransDigm Group, Inc	\$732.30	3/29/2023	0.5%	-	Aerospace
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## CONSUMER DISCRETIONARY

MCD	McDonalds	\$271.30	3/26/2023	3.0%	-	Restaurant
WING	Wingstop Inc.	\$157.80	1/29/2023	30.5%	-	Restaurant
WMT	Walmart	\$147.50	4/2/2023	0.0%	-	Retail
ULTA	Ulta Beauty	\$545.60	4/2/2023	0.0%	-	Reatil

# 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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