



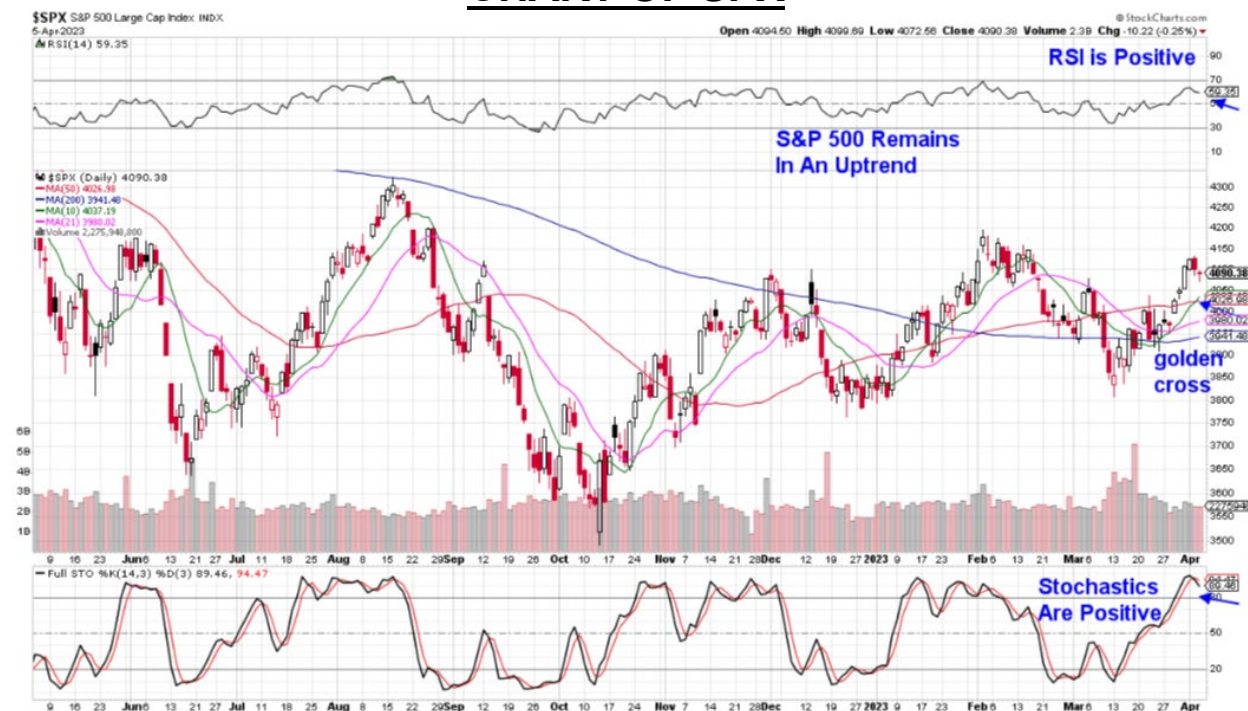
THE MEM EDGE

Midweek Report

Wednesday April 5, 2023

- Job Openings Fall To 21-Month Low
- Private Sector Jobs Pulling Back
- ISM Data Shows A Slowdown In Service Side Of The Economy
- Recession Fears Impact Markets
- Weekly Jobless Claims & March Employment Data Due Thursday and Friday

CHART OF SPX



The S&P 500 has fallen 0.5% so far this week, with its uptrend remaining in place as the RSI and Stochastics are in positive territory. .



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On the daily chart, the S&P 500 has posted a golden cross with the 10-day moving average crossing above the 50-day mav. While this is a secondary signal, the golden cross is a positive.

The Nasdaq has pulled back further with a 1.8% decline that has this Index closing just the 12000 level which is a key area of possible upside resistance. However, the Nasdaq remains above each of its moving averages with its RSI and Stochastics in positive territory. The uptrend in this Index remains in place.

Should the Nasdaq fall further, the 10-day moving average is the first area of possible support and is 0.3% away with the key 50-day moving average being the next area of potential support which is 2.5% away.

The Tech heavy Nasdaq was hurt by a pullback in Semiconductor stocks which are down 4.4% for the week so far. Software stocks also fell further than the markets as did heavyweight name Tesla (TSLA) which is down 10.6%.



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CHART OF NASDAQ



Overall, recession fears dominated price action this week as economic data pointed to a possible slowdown. Defensive areas such as Healthcare, Utilities and Staples outperformed while interest rates fell and Gold traded higher - all typical amid recession fears.

While Consumer Discretionary stocks have fallen 3% so far this week, both Walmart (**WMT**) and McDonalds (**MCD**) posted gains. Both discount retailers fare well during recessionary periods however, WMT had another reason for faring well this week.

The made several announcements at their investor meeting which took place over the past 2 days. Among them, Walmart reaffirmed



their growth guidance for this year as due to strong sales. In addition, WMT is entering this new phase of growth with supply chain issues improving as well as the company's push to automate 60% of workforce by 2026.

WMT remains in a buy zone as it finds support at its 5-day moving average with the MACD in the early stages of a move higher. McDonalds (**MCD**) is in a similarly positive position.

Ulta Beauty (**ULTA**) has pulled back to its 10-day moving average and into a buy zone while Wingstop (**WING**) regained its 21-day moving average which is quite constructive. Both stocks can be bought.

Semiconductor stocks are underperforming this week with a pullback today that's very reminiscent of March 28th where the group found support at the 50-day moving average while the RSI moved closer to a possible close below 50. (using ETF SOXX).

Also similar, the pullback occurred on above average volume as buyers came in on the dip. This is a positive and in late March, SOXX was able to regain its uptrend with a move back above its 10-day moving average.



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CHART OF SOXX



While recession fears are hurting higher growth Tech stocks this week, Semi's were hit especially hard after Alphabet (GOOGL) announced that they've created a custom chip for use in AI training that's faster than Nvidia (**NVDA**).

From our List Lattice Semi (**LSCC**) pulled back the most with a 4.5% decline with buyers coming in on today's dip. The chart is very similar to SOXX and a close back above its 10-day moving average would put the stock back into an uptrend.

Nvidia (**NVDA**) and Broadcom (**AVGO**) both fared better than the group and a move back above the 10-day moving average would put these stocks back into an uptrend. Of note, AVGO offers a 2.9% yield which increases its attractiveness as interest rates fall.



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Software stocks on our List were mixed with Shift4 Payments (**FOUR**) down over 5.5% this week. The good news is, FOUR closed back above its 10-day moving average today which puts the stock in a buy zone.

ServiceNow (**NOW**) outperformed its peers with a 0.5% gain after gapping up in price yesterday due to a Wall Street price target upgrade to \$548.

Fortinet (**FTNT**), Cadence (**CDNS**), Apple (**AAPL**) and Microsoft (**MSFT**) each pulled back to their 10-day moving averages which has proven to be an ideal buy point.

Industrial stocks are the worst performers this week with recession stocks hitting heavyweight names Caterpillar (CAT) and Deere (DE) particularly hard.

Aerospace and Defense stocks declined as well with recently added Transdigm (**TDG**) pulling back 2% in a move that puts the below its 50-day moving average with a now negative RSI. We're removing the stock from our List.



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Tomorrow, weekly jobless claims will be released and investors will be watching to see if an increase occurs again this week. Most critical however will be Friday's release of the March jobs report which will be closely watched as it's expected to impact the Federal Reserve's interest rate decision in early May. While we're constructive on the near term prospects for the broader markets, we would continue to keep positions lighter than usual as the markets digest critical data that will continue to provide clues regarding the health or weakness of the economy.

Warm Regards,
Mary Ellen McGonagle
Editor, MEM Edge Report