



THE MEM EDGE

April 9th, 2023 | Weekly Report

This Week's Highlights

- Job Openings Fall To 21-Month Low While Private Sector Jobs Pull Back
- Core CPI Data Next Wednesday & Core PPI On Thursday
- Q1 Earnings Season Begins Next Week
- ISM Data Shows A Slowdown In Service Side Of The Economy
- Jobless Claims Increase As March Data Hint At Cooling In Labor Market

Daily Chart of S&P 500



The S&P 500 was flat for the week in a move that keeps the near-term uptrend for this Index in place as it remains above each of its moving averages with the RSI and Stochastics in positive territory.

In addition, the S&P 500 posted a golden cross on its daily chart with the 10-day moving average crossing above the 50-day moving average. While this is a secondary signal, it's positive as it often precedes further near-term upside.

The Nasdaq posted a 1.1% decline for the week that was led by a sharp pullback in Semiconductor stocks as well as select Software names. The near-term uptrend in this Index remains despite the pullback, with the Nasdaq closing above each of its moving averages as well as the key 12000 level.

While the broader markets are in a near-term uptrend, new purchases should be kept moderate however, due to economic and Fed policy crosscurrents that remain

in the markets. First quarter earnings season will begin next week as well, with major banks due up first.

Weak economic data brought recession fears to the forefront last week which in turn, pushed economically sensitive Industrials, Materials and Consumer Discretionary stocks lower. Riskier Small Caps and select high growth areas also fared poorly.

Semiconductor stocks in particular, were hard hit. There is an adage regarding these stocks that says, as the economy goes, so too do Semiconductors as their chips are needed in every area of the economy. We'll review this concept further below.

Less risky, defensive areas such as Healthcare, Utility and Staples outperformed as investors rotated into safe haven areas of the market. In other notable price action, Gold regained its uptrend while Treasury yields fell - another signal of investors' adversity to risk while also a nod to recession fears.

Among defensive areas, Healthcare is the most interesting with the sector now back in an uptrend after closing above each of its moving averages. The

strongest areas were Pharmaceutical and Biotech stocks which we'll review today as we're adding 2 stocks from these areas.

Next week, inflation related data will take center stage with core CPI and PPI for March being released. These Consumer and Producer Price metrics are very closely watched by the Federal Reserve as they serve to gauge inflation levels. Investors are on the lookout for hints of a continued slowdown in prices and any news of an uptick may push the markets lower.

While many believe that the bank crisis has served to halt the Fed's rate hike campaign, comments from Fed officials last week hinted at continued increases with a target of 5.5% for the fed funds rate. (The rate currently stands at 5%)

As noted, earnings season will begin with several Large Cap Bank stocks due to report later in the week. In addition to their results from the 1st quarter, management's comments regarding lending activity going forward will be very closely watched. Any hint of contraction will elevate recession fears.



Technology Select Sector SPDR Fund (XLK)



Technology Sector Remains In An Uptrend

Tech stocks underperformed last week due to a selloff in Semiconductor stocks which pulled back sharply. As mentioned earlier, performance among Semiconductors can be very closely tied to the economic outlook as their widespread demand will be reduced in a slower economy.

Semiconductors are a fickle area however, as select Semis were able to withstand the March - November 2001 recession with names such as Intel posting an ~30% gain while Qualcomm lost 9%. New chip applications in AI and other emerging technologies may serve to buffer the group similar to Intel's release of the fastest CPU's during 2001. Most Semiconductor stocks suffered during this period however.

At this time, we'll be closely monitoring price action in the group as a guide and while the RSI has dipped into negative territory on the daily chart, it remains above its 50-day moving average. (using SOXX)

On the longer term weekly chart, the uptrend in this group remains intact with downside in early January and late August of 2022 being signaled by a negative stochastic - a condition we're not close to at this time. Price action among leadership names will also guide our view of the group.

Until Semiconductors regain their 10-day moving average with the RSI in positive territory, we would refrain from putting new money to work in this area. (using ETF SOXX)

Among Semi stocks on our List, Nvidia (**NVDA**) is holding in the best after pulling back less than its peers and closing the week just below its 10-day moving average.

Broadcom (**AVGO**) also pulled back less than the group while closing the week above its early March lows. The 3% yielder has recently seen its earnings estimates for both this year and next revised higher.

Lattice Semi (**LSCC**) fared worse than the group with a pullback that put the stock below its shorter term moving averages with the RSI now in negative territory. We're removing the stock from our Suggested Holdings List.

Software stocks fared better with a 1.6% pullback that has the group closing the week above the 10-day moving average with both the RSI and MACD in positive territory. The group remains in an uptrend. (using ETF IGV)

Among the Software stocks on our List, ServiceNow (NOW) is in the most bullish position after regaining its 5-day moving average on Friday with the MACD in the early stages of being in positive territory. In addition, last week's rally days were on above average volume which is a positive.

Microsoft (MSFT) also closed the week above its 5-day moving average and is in a strong position. Last week's rally was boosted by comments from JP Morgan who cited the firm as being a "clear early leader" in artificial intelligence. JP Morgan also put ServiceNow (NOW) in the same category as a company that's moving rapidly to capitalize on AI.

Cadence Design (CDNS) also outperformed the group with a close above its 5-day moving average amid analysts upgrades. The company is due to report their earnings later this month and is now 1 point away from a possible 3-4 week base breakout at \$209.5 which would be quite bullish.

Fortinet (FTNT) recovered from a pullback earlier in the week to close above its 10-day moving average with its

RSI and MACD in positive territory. The stock received a price target upgrade last week to \$75 amid research that shows that spending on quality security related software such as FTNT is expected to remain elevated despite macro economic conditions.

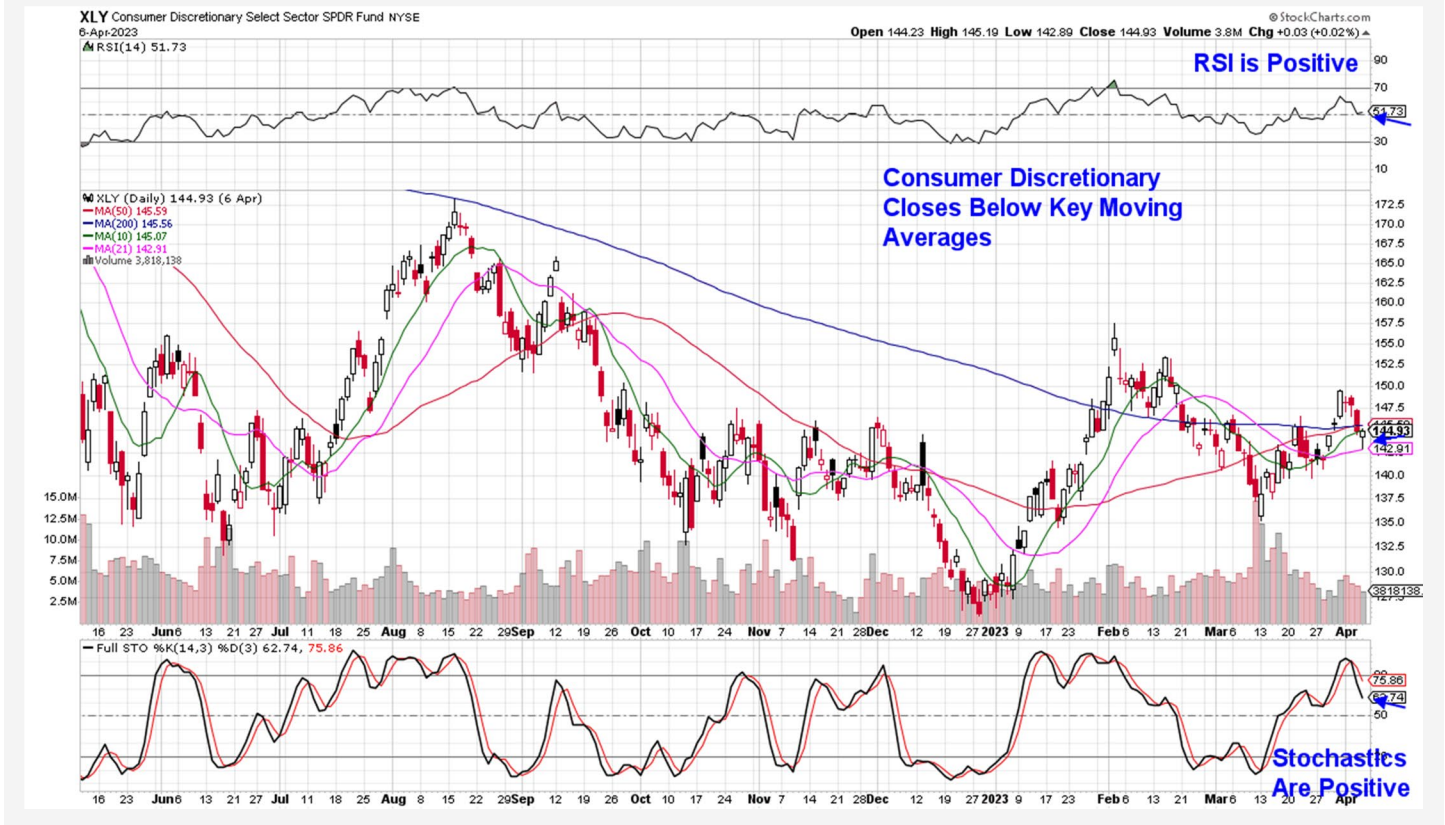
As noted in last Sunday's report, we were on the lookout for a pullback in Shift4 Payments (FOUR) after its base breakout put the stock out of a buy range. Last week's dip was more than anticipated and the stock can be bought in the \$72 range as it remains in an uptrend.

Apple (AAPL) remains in a confirmed uptrend amid a price target upgrade from Bank of America. Their research shows that strong sales among their higher margin products will offset the potential of weaker consumer spending in the 2nd half of the year. AAPL is in a buy zone.

Overall, the Technology sector remains in an uptrend and continues to be the leadership area within the markets. We'll continue to monitor sub groups such as Semiconductors and will alert you to any shift in sentiment.



Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Among Worse Performing

The Consumer Discretionary sector was hurt by a sharp drop in heavyweight stock Tesla (TSLA) after the company reported sales that were lighter than expected. A report later in the week of higher inventories amid discounting of prices - led by Tesla - hurt auto stocks overall, with the group down over 8%.

Other consumer facing areas also pulled back with Retail stocks trading lower after attempting to reverse their downtrend the prior week. The losses occurred amid fears of reduced consumer spending due to lower employment levels. (using ETF XRT)

Discount retailers fared a bit better however, with Walmart (WMT) gaining 2.5% on the heels of several Wall Street upgrades due to positive comments from management at their annual investor's day.

In particular, Walmart's investment in technology as well as supply chain and automation improvements are expected to drive profit margins during what may be a difficult period later this year for most retailers.

McDonald's (MCD) from our List is a discount retailer among restaurants and the stock remains in a confirmed uptrend as it finds support at its upward trending 5-day moving average. On Monday, MCD broke out of a 5-month base which pushed the MACD into a bullish crossover on its weekly chart.

Both McDonald's and Walmart were among the top ten performers during the 2008 recession and bear market as consumers looked for ways to cut costs.

Wingstop (WING) is in a more neutral position after pulling back almost 2% last week. A move back above its 10-day moving average at \$182 would put the stock into a buy zone.

Recently added Ulta Beauty (ULTA) experienced selling on heavy volume later in the week in a move that pushed the stock below its 50-day moving average with the RSI now in negative territory. We're removing the stock from our Suggested Holdings List as the weekly chart is also signaling the possibility of further downside.

Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Is Top Performer

Healthcare stocks entered an uptrend after last week's 3.1% rally pushed the group back above its key moving averages on above average volume. The gains occurred amid a broad based rally that pushed Pharmaceutical, Medical Products and Biotech stocks higher for the week.

Healthcare stocks are viewed as defensive due to the need for medical drugs and products regardless of a possible economic slowdown. Innovation such as new drug therapies or products will also spur buying among select stocks.

During the 2008 recession and bear market, both Amgen (**AMGN**) and Vertex (**VRTX**) were among the top 10 performers for the year while the S&P 500 declined 38.5%. AMGN posted strong sales results while VRTX was advancing their drug treatments for Hepatitis C.

Both stocks are in the Biotechnology group and last week, this group turned positive. (using ETF IBB). We've added Regeneron Pharmaceuticals (REGN) and Biogen (**BIIB**) to our Watch List as both Biotechs are in an uptrend amid analyst upgrades. We intend to add these stocks to our Suggested Holdings List as the group continues to trend a bit higher.

This week we're adding UK based drug manufacturer AstraZeneca (**AZN**) to our List after last week's base breakout on heavy volume. The stock rallied following news that the combination of 2 of their drugs resulted in a longer survival period for ovarian cancer patients when combined with other therapies. AZN is in a buy zone

In addition, we're adding Hologic, Inc. (**HOLX**) to our Suggested Holdings List as the provider of medical products that detect and treat women's health reversed its downtrend on above average volume last week. HOLX guided earnings estimates higher for 2023 after releasing above estimated earnings earlier this year.

HOLX can be bought in the \$81.5 range which is at its 5 and 10-day moving average.

Last week's outperformance in healthcare stocks is very encouraging as the group has a defensive nature as well as a growth component that can propel select stocks in this group higher. At this time, the weekly chart is not confirming a longer term uptrend just yet. (using XLV) Once this occurs, we expect to add additional stocks from this sector to our Suggested Holdings List.

Summary

Last week's employment data showed a nominal slowdown in hiring as well as new job creations and in turn, elevated nascent recession fears. In response, defensive areas of the market outperformed while economically sensitive areas came under selling pressure.

While select areas of Growth came under pressure, these stocks remain in an uptrend with the Tech heavy Nasdaq remaining in a leadership position.

At this time, we're slowly adding stocks from more defensive areas while maintaining a positive bias in growth stocks that remain in an uptrend.

Next week will provide further clues regarding investor sentiment as traders return to their desks after a holiday shortened week amid key inflation data and the beginning of earnings season that has the damaged banking sector reporting first.

Moving forward, we anticipate a challenging market environment as we potentially head toward a mild recession however at this time, leadership names such as Apple (AAPL), Microsoft (MSFT) and Alphabet (GOOGL) remain under accumulation and in strong uptrends.

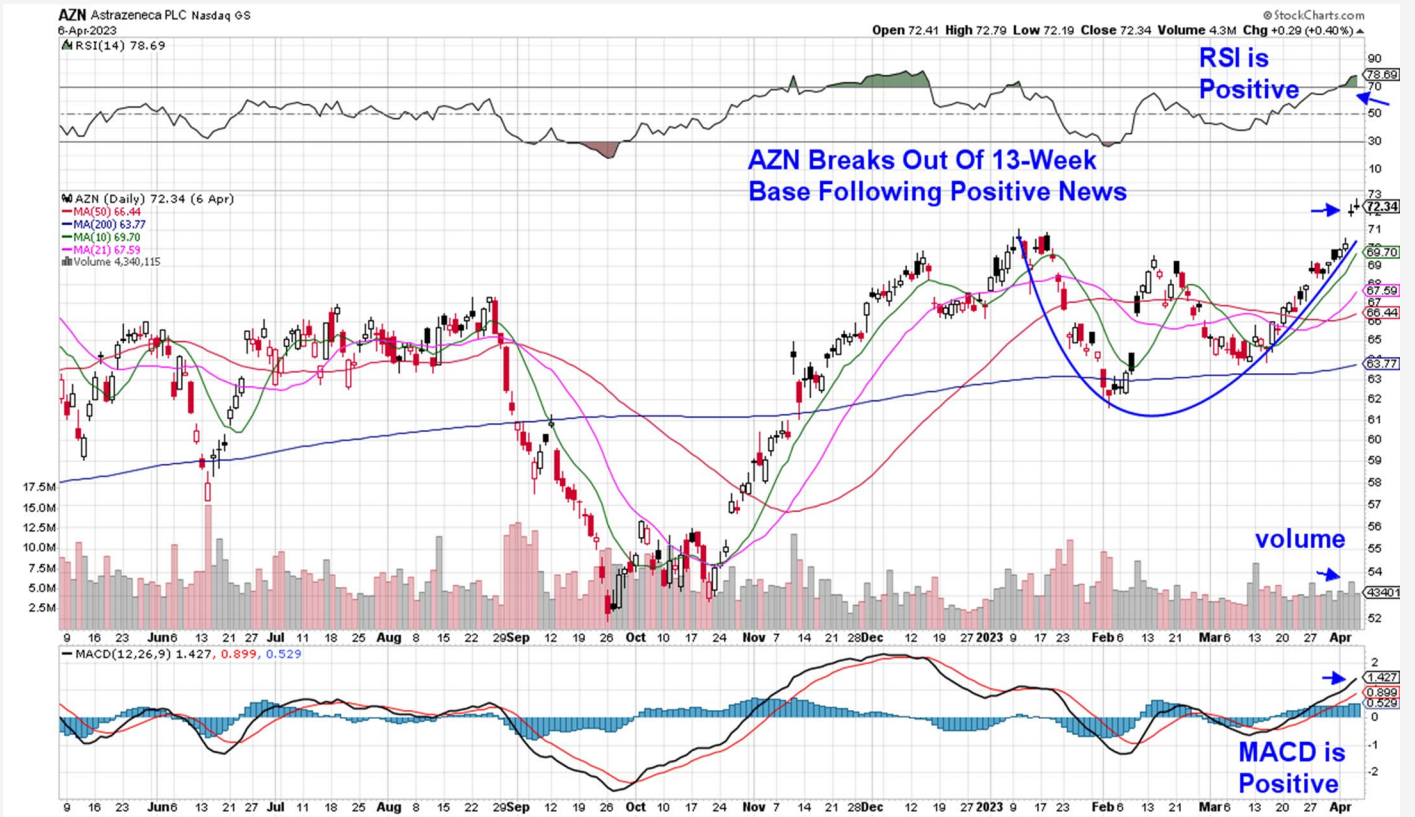
This positive price action is taking place amid a large number of crosscurrents as investors ponder the possibility of further rate hikes depending on inflation data next week, as well as a possible slowing of the economy due to tight lending activity.

As stated earlier, until evidence to the contrary, we'll remain with healthy Growth stocks while beginning to nibble on stocks in defensive areas that have positive charts and growth outlooks.

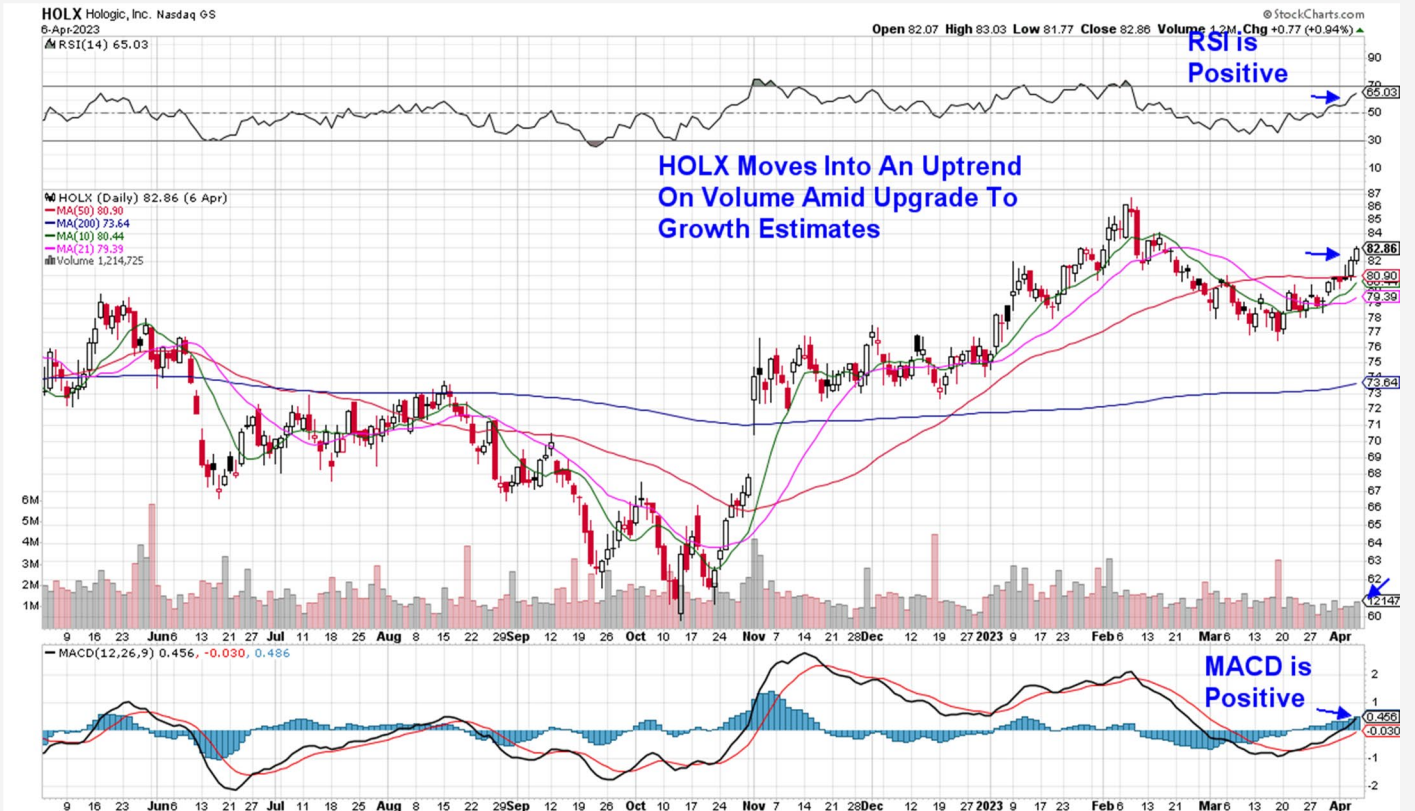
Daily Chart of NASDAQ Composite (\$COMPQ)



Daily Chart of AstraZeneca PLC (AZN)



Daily Chart of Hologic, Inc. (HOLX)



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						
AAPL	Apple	\$160.30	3/26/2023	3.0%	-	Hardware
AVGO	Broadcom Inc.	\$632.80	3/5/2023	-1.0%	-	Semiconductor
CDNS	Cadence Design	\$196.12	3/5/2023	7.0%	-	Software
FOUR	4Shift Payments	\$71.00	3/29/2023	0.0%	-	Software
FTNT	Fortinet Inc.	\$61.80	3/16/2023	6.0%	-	Cyber Security
LSCC	Lattice Semiconductor	\$88.60	3/5/2023	1.5%	-	Semiconductor
NOW	ServiceNow	\$464.70	3/5/2023	2.0%	-	Software
MSFT	Microsoft	\$276.20	3/16/2023	5.5%	-	Semiconductor
NVDA	Nvidia Corp	\$178.40	1/22/2023	43.0%	-	Semiconductor

CONSUMER DISCRETIONARY						
MCD	McDonalds	\$271.30	3/26/2023	1.0%	-	Restaurant
WING	Wingstop Inc.	\$157.80	1/29/2023	2.5%	-	Restaurant
WMT	Walmart	\$147.50	4/2/2023	2.5%	-	Retail
ULTA	Ulta Beauty	\$545.60	4/2/2023	-4.5%	-	Retail

HEALTHCARE						
AZN	AstraZeneca ADR	\$72.30	4/9/2023	-	-	Biopharmaceutical
HOLX	Hologic	\$82.80	4/9/2023	-	-	Medical Technology

Glossary of Terms Used From Our Suggested Holdings

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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