THE MEM EDGE

Midweek Report

Wednesday, April 12 2023

- March CPI Shows Inflation Gradually Slowing While Remaining Elevated
- Latest Federal Reserve Meeting Notes Forcast Mild Recession Due To Banking Crisis
- March Producer Price Index Data Tomorrow, Retail Sales, Industrial Production and Consumer Sentiment On Friday
- Earnings Season Picks Up With Delta Due Tomorrow & Citibank and JP Morgan Among Others On Friday
- Removing Broadcom (AVGO) From Suggested Holdings List

The S&P 500 is down 0.3% for the week in a move that keeps the near-term uptrend in place as the RSI and Stochastics are in positive territory while the Index is finding support above its upward trending 10-day moving average.

The Nasdaq is faring worse with a 1.3% decline that has this Index now below its key 12000 level which will now act as possible upside resistance. This Tech-heavy Index is being pulled down by underperformance in the mega-cap FAANMG stocks as well as the Technology sector which is the worst performer.

This week, safe haven areas such as Utilities, Consumer Staples and Healthcare sectors are flat while economically sensitive areas such as Industrials and Materials are outperforming. As you may recall, this is the opposite of last week's price action when the markets responded to weak economic data and recession fears.

As cited in our Sunday report, the markets are at a crossroad where key economic data, first quarter earnings releases and Fed policy concerns are creating an uncertain environment for investors. Themes are beginning to emerge however as more information is being revealed.

Today, CPI data for March showed that consumer prices are gradually trending lower however, they remain elevated so that inflation is expected to stay with us for a while.

Notes from the Federal Reserve’s last meeting revealed today that officials anticipate a mild recession later this year due to the bank crisis. In addition, American Airlines preannounced weak profits for the 1st quarter ahead of their earnings report due out next Wednesday.

Recession fears as well as sticky inflation and hence, potentially higher interest rates, are creating cracks in high growth stocks as evidenced by the underperformance of mega-cap FAANMG stocks which act as a proxy.

Among names in this area that are on our Suggested Holdings List, Apple (**AAPL**) and Microsoft (**MSFT**) are both down 2.8% for the week. While both stocks remain above key moving averages with a positive RSI on their daily chart, their MACDs have posted a negative crossover on their daily charts.

This is not a sell signal but rather, may be pointing to a near term pause. The longer-term, weekly chart of both AAPL and MSFT remains quite positive.

Semiconductor stocks which fell hard last week, are down again with a 0.6% loss that has this group closing below its 50-day moving average with the RSI now in negative territory.

As cited over the weekend, Semi stocks are highly sensitive to the strength or weakness in the economy and recession fears - particularly after the Feds comments today - may continue to negatively weigh on this area.

Broadcom (**AVGO**) from our List has lost 1% for the week in a move that's pushed the RSI into negative territory on its daily chart. We're removing the stock from our Suggested Holdings List.

Nvidia (**NVDA**) is down 2% which puts the stock at its 21-day moving average with a positive RSI and MACD. The stock can be held.

Software stocks are pulling back as well; however, the group remains in an uptrend. (using ETF IGV)

Each of the Software stocks on our Suggested Holdings List are outperforming this week with Fortinet (**FTNT**) posting a 2.6% gain on the heels of price target upgrades last week. FTNT is in a confirmed uptrend and can be bought in the $66 range at its 5-day moving average.

Cadence Design (**CDNS**) is also in a buy zone after a slight pullback today that followed high volume rally days earlier this week. The gains are occurring amid analyst upgrades to their earnings estimates ahead of the release of the company's quarterly results later this month.

Shift4 (**FOUR**) is flat for the week despite 2 major Wall Street upgrades. We would not be a buyer on today's pullback which occurred on heavy volume. Instead, wait for a move back above its 10-day moving average in the $73 range.

ServiceNow (**NOW**) is in a buy zone following a pullback to its 5-day moving average.

While the Healthcare sector is flat for the week, both Astrazeneca (**AZN**) and Hologic (**HOLX**) have posted gains with HOLX in a buy zone as it finds support at its 5-day moving average. As cited on Sunday, HOLX has a MACD on its daily chart that recently entered positive territory which points to further near-term upside

AZN gapped up to a new high in price today after news that a partner firm received clearance to enter the clinical development phase of their targeted cancer tumor treatment. The stock may mark time similar to after last week's gap up in price and can be bought at the 5-day moving average.

The Consumer Discretionary sector is being hurt by a sharp drop in heavyweight stock Amazon (AMZN) as well as by underperformance in Tesla (TSLA).

Elsewhere in the group, McDonald's (**MCD**) remains in a confirmed uptrend after a 1% gain as it finds support at its 5-day moving average. MCD is in a buy zone with the longer-term, weekly chart looking particularly positive.

Walmart (**WMT**) is pulling back slightly this week with a move back above its 5-day moving average (at $150) putting the stock back into a buy zone.

Wingstop (**WING**) is in a period that's similar to mid-March when it pulled back prior to regaining its uptrend. The stock can be held.

Tomorrow, additional inflation data for March will be released with the Producer Price Index (PPI) due before the markets open. February's release last month showed a surprise drop which helped boost the markets.

Earnings season will begin as well tomorrow with Delta (DAL) due to report before the markets open with Citigroup and J P Morgan to name just two stocks, due to report on Friday.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report