



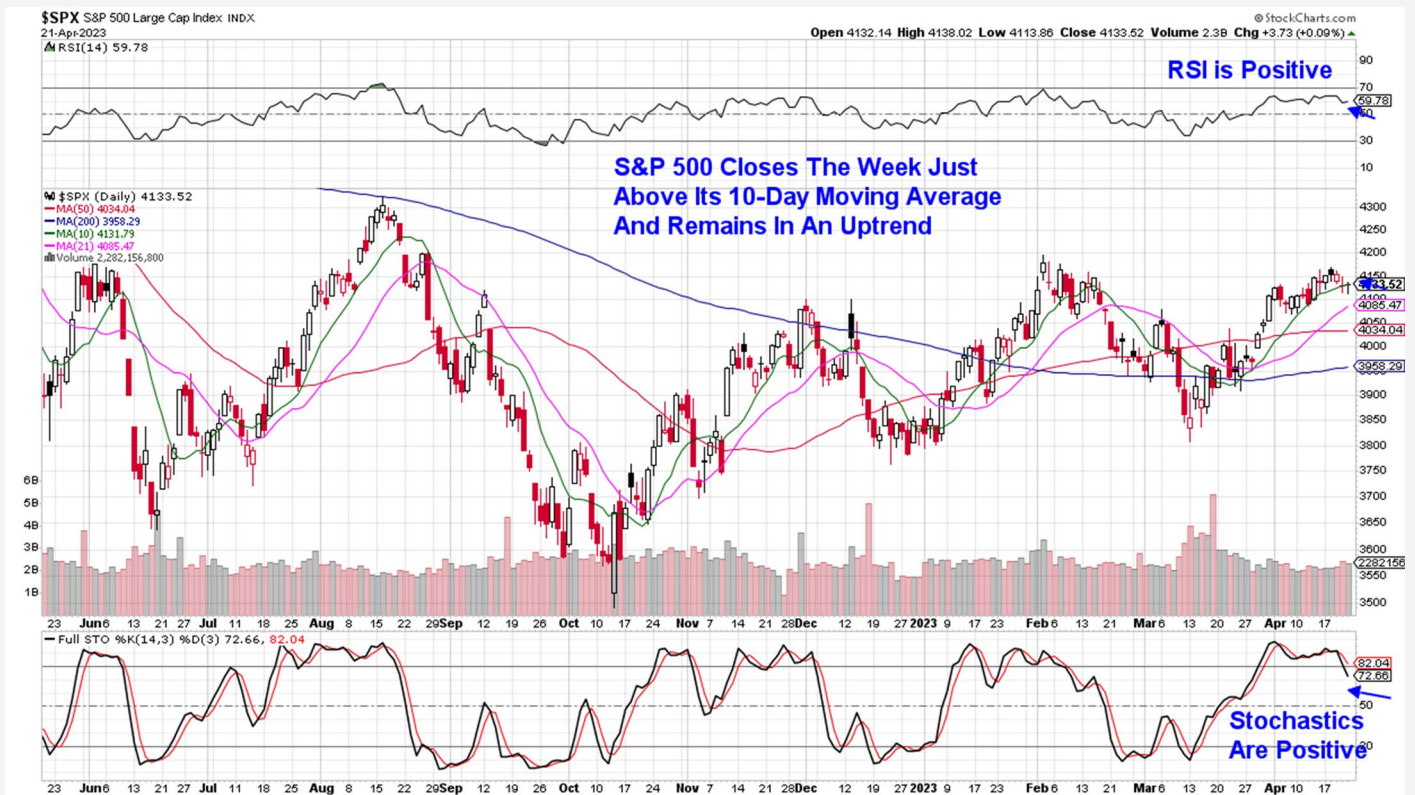
THE MEM EDGE

April 23, 2023 | Weekly Report

This Week's Highlights

- Loan Activity Declines After SVB Failure
- March Housing Data Mixed But Generally Positive
- Earnings Reports & Analyst Upgrades Drive Price Action
- Weekly Jobless Claims Climb Slightly
- Leading Economic Index Points To A Recession, Early April PMI Report Rises
- Q1 GDP, Core PCE Index, Consumer Confidence & Durable Goods Orders Next Week

Daily Chart of S&P 500



The S&P 500 closed the week down 0.1% in a move that has this Index closing just above its 10-day moving average. With the RSI and Stochastics in positive territory, the uptrend remains in place.

The weekly chart of the S&P 500 also remains in an uptrend with the RSI and Stochastics in positive territory. A close above its early February high of 4200 would be quite constructive for the near and intermediate prospects for the current uptrend.

The Nasdaq pulled back a bit more with a 0.4% loss that keeps this Index above its key 12000 level and with the RSI and Stochastics in positive territory, the near term uptrend remains in place.

That said, on the daily chart of the Nasdaq the Stochastics have turned downward from an overbought position and are moving closer to turning negative. Should this occur in tandem with a negative RSI, further near term downside is anticipated. In the

chart below, we've highlighted the last time this occurred which was during late February's pullback.

While the S&P 500 and Nasdaq are both exhibiting near term uptrends, our cautiousness regarding the broader markets is reemerging due to uncertainty surrounding the Federal Reserve's policy action early next month in the face of inflation that's receding too slowly. Relatively weak economic data is also concerning.

Next week should clear some of the uncertainty as core inflation data will be released as will a slew of earnings data from companies such as Microsoft (**MSFT**), Meta Platforms (**META**), Amazon (**AMZN**) and Alphabet (**GOOGL**). Historically, results from these heavyweight names, as well as investors' response, has carved the nearterm path for the markets.

The following week, the Federal Reserve will conduct their policy setting meeting and announce their interest rate decision which will provide further enlightenment.

The broader market's sideways price action last week underscored investor's uncertainty following the release of weak economic data on Monday that was contradicted by Friday's Purchasing Manager's report which showed strength in the manufacturing and services industries.

Other news also left investors concerned as the Federal Reserve's Beige Book report showed that lending activity has declined since SVB's collapse. Reduced funding from banks is a negative for corporate and economic growth.

Similar to last week, the companies that experienced the largest gains or declines were those that reported quarterly earnings results while also providing their outlook for growth going forward. Wall Street upgrades and downgrades also impacted price moves which then spread to other stocks in their given industry groups. We'll review this further below.

Most of the mega-cap FAANMG stocks underperformed last week with Tesla (**TSLA**) being among the hardest hit after reporting 1st quarter results that were below estimates due price cuts on their vehicles.

Overall, defensive areas of the market outperformed with Staples, REIT and Utility sectors each posting over 1% in gains.

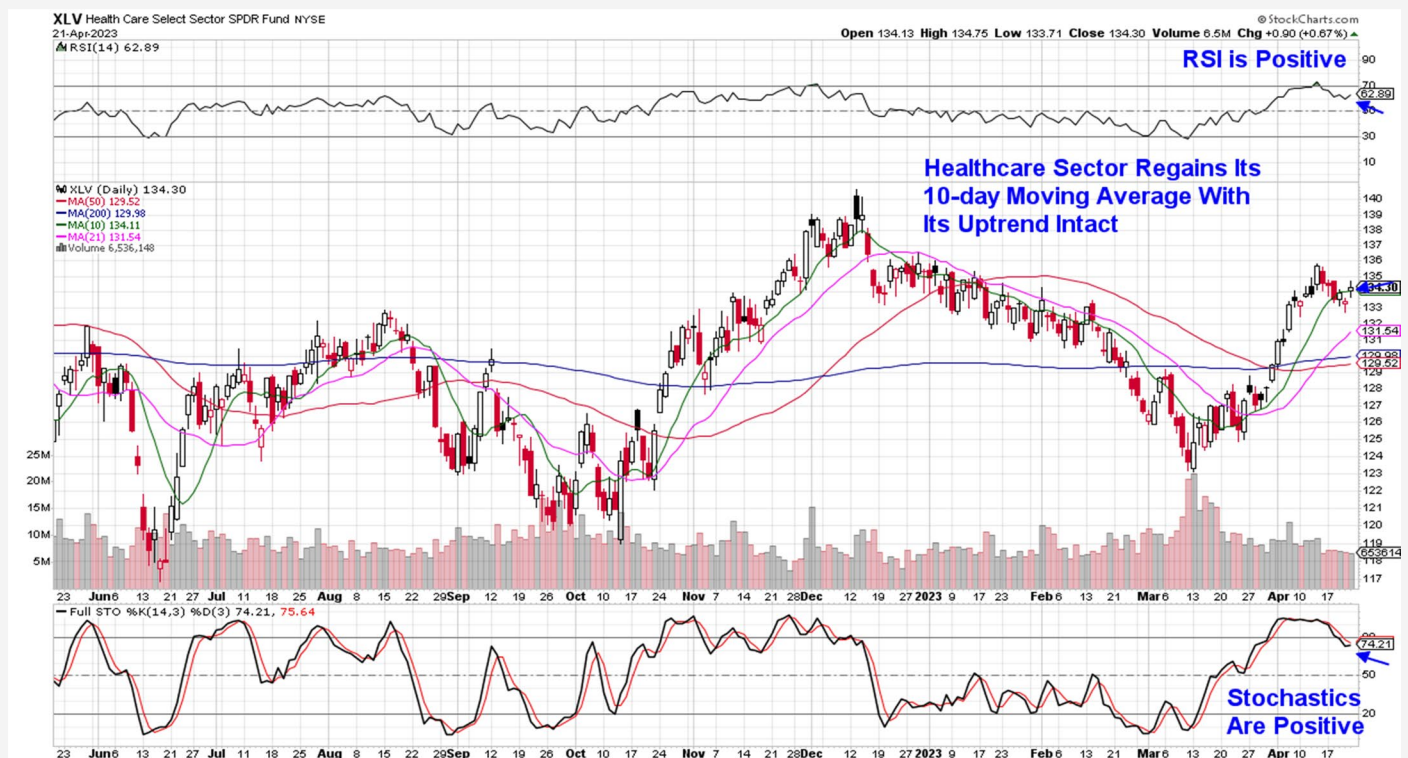
In addition to offering products that will continue to see demand in the event of a recession, several of these higher yielding stocks are rallying on better than expected earnings. Procter & Gamble (**PG**) is a prime example as the 2.3% yielder posted more than 3% after reporting earnings ahead of estimates.

Healthcare is another defensive area and while the group performed in line with the markets, there were bright spots within the group which we'll review below.

Higher growth Technology and Communication Services sector underperformed for the week amid downgrades to select stocks which spread to other names within these sectors. Bright spots remain in Growth stocks with many of the names on our Suggested Holdings List outperforming for the week.



Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Remains In An Uptrend

Healthcare stocks regained their uptrend following an early week pullback that was led by select Medical Products companies as well as a continued deterioration in Managed Care stocks.

The sector received a boost from a rally in Biotech stocks which remain in a confirmed uptrend. ETF IBB from our Suggested Holdings List regained its 10-day moving average on heavy volume Friday and IBB is in a strong buy zone.

Large Cap Pharmaceutical company Astrazeneca (**AZN**) gapped up to a new high in price on Friday which occurred on above average volume. This is bullish price action as it points to the stock coming under accumulation. The rally followed positive news earlier in the week regarding the ability of AZN's new pipeline drug to detect cancer.

AZN is due to report their earnings on Thursday before the market opens and while analysts are raising estimates for 2024 going into the release, the stock's current position at an all time high may present a hurdle as the stock is "priced for perfection".

Merck (**MRK**) ended the week flat after news of their plans to acquire Prometheus Biosciences (RXDX) initially pushed the stock lower before a late week rally put MRK back above its 10-day moving average and into an uptrend.

Merck is due to report their earnings before the open this Thursday and last week, the company received 2 major Wall Street upgrades going into the report due to the proposed acquisition as well as their strong pipeline. MRK is in a bullish position to trade higher however, we would not advise purchasing the stock directly before earnings.

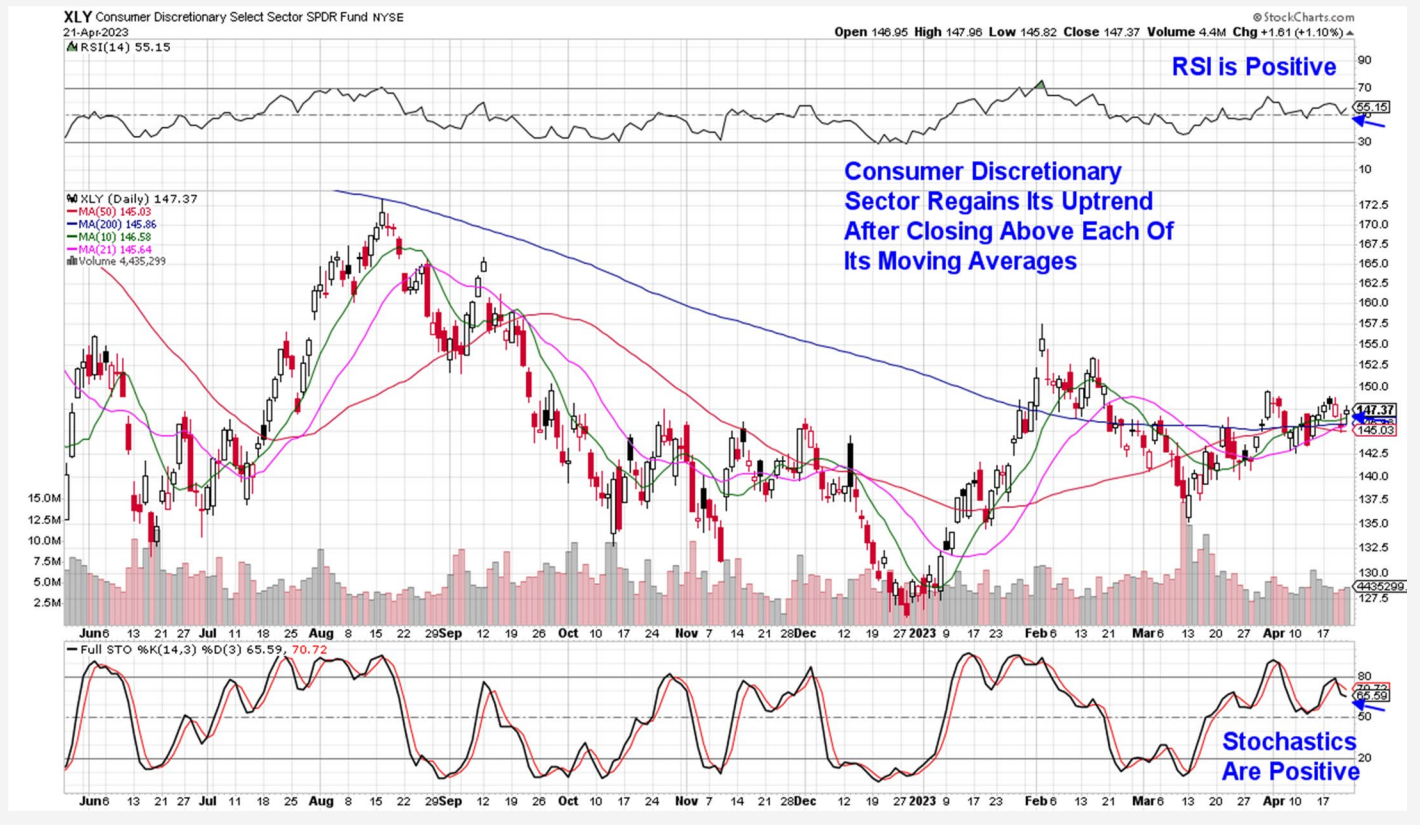
Hologic (**HOLX**) is on the brink of posting a cup with handle base breakout at \$85 which would be quite constructive. Last week the company received a large price target upgrade going into the release of their earnings in 10 days. This is quite positive. HOLX is in a buy zone with a move above \$85 on volume putting the stock into a strong buy zone.

Next Thursday, Biotech stock Gilead (**GILD**) from our Watch List will be reporting earnings and depending on results, we are anticipating adding the stock to our Suggested Holdings List.

This week we're adding Intuitive Surgical (**ISRG**) to our Suggested Holdings List following last week's 5- month base breakout on heavy volume. The bullish price action occurred after the company reported earnings that were 24% above estimates due to increased surgical procedures using their robotic Da Vinci system.

ISRG is poised to trade higher and is in a buy zone.

Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Regains Its Uptrend

Discretionary stocks received a boost from a strong rally in home construction stocks on the heels of above estimated earnings and sales results from DR Horton (DHI). DHI management also guided growth prospects higher which in turn boosted other housing stocks.

The strong earnings and sales were due to low housing inventory amid strong demand among 30-40 year olds that's expected to continue to override any economic uncertainty. Similar to other homebuilders, the company has adjusted pricing to adapt to changing market conditions.

We're adding KB Home (KBH) to our Suggested Holdings List after last week's base breakout on heavy volume pushed the stock into an uptrend. The stock is in a strong buy zone at its 5-day moving average at \$41.

DH Horton (DHI) is on our Watch List and we'll be tracking its price action next week to see if it can remain above its gap up in price area. Next week, several more homebuilders are due to report earnings which is expected to have an impact on the group.

Additional housing data will be released on Tuesday with new home sales for March due out.

Floor & Decor (FND) is expected to benefit from continued sales of both new and existing homes after adding 32 new warehouse stores last year with another

32+ expected to be opened this year. The stock ended flat for the week however, it remains in an uptrend above its key moving averages. A rally above its Tuesday high of \$101 on volume would provide upside momentum for its current uptrend.

Wingstop (WING) is trending higher ahead of the release of its earnings early next month. The stock broke out of a 1-month base last week with the momentum trending higher after a 2.7% rally (using the MACD on the daily chart). WING is in a strong buy zone.

Walmart (WMT) broke out of a cup with handle base at \$151 on heavy volume Friday which puts the stock into a strong buy zone. The breakout occurred on the heels of a Wall Street upgrade due to increased foot and online traffic that upped their price target for Walmart.

Nike (NKE) ended the week flat amid light trade due to a lack of news. The stock posted a bullish engulfing candle on Friday where the stock traded below the prior days low but ended the day above the prior days high. While positive, a move above its 5-day moving average at \$126 on volume would put the stock into a strong buy zone.

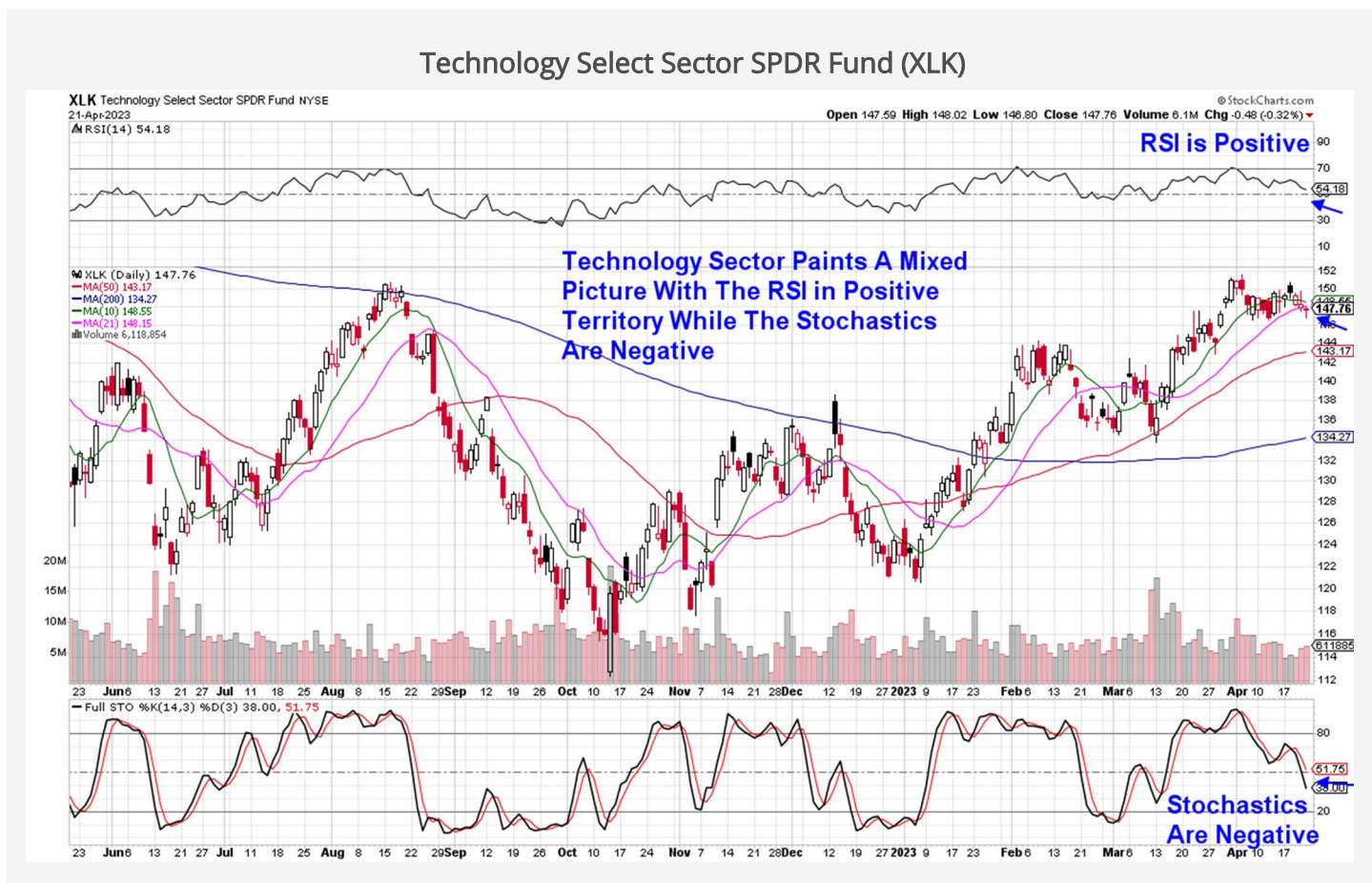
McDonald's (MCD) is due to report their earnings on Tuesday before the market opens. The company received 4 Wall Street price target upgrades from major firms going into the release which is highly unusual but

quite bullish. MCD is in a buy zone however, we'd be cautious about buying the stock going into earnings.

We're also adding Las Vegas Sands (LVS) to our Suggested Holdings List following last week's 7-week base breakout on above average volume. The breakout

occurred after the company reported 170% earnings growth over last year which was 41% above estimates.

The strong results for LVS occurred amid a robust recovery in Macau due to the reopening of China earlier this year. LVS is in a strong buy zone and can be bought in the \$61 range at its 5-day moving average.



Technology Sector Pulls Back Amid Lowered Outlook

The Tech sector pulled back last week amid a sharp decline in Networking and Data Storage stocks impacted by news of reduced IT spending forecasted by large Tech Services company CDW Corp. (CDW).

The news cast a cloud over well known Networking stocks such as Cisco (CSCO) and Data Storage names such as Seagate and (STX) among other names in these groups which fell sharply.

Semiconductor stocks continued to drift lower as well, amid mixed earnings reports and fears of a slowing economy. The group is now trading below its 50-day moving average which is now the first area of upside resistance. In addition, both the RSI and MACD are in negative territory. (using ETF SOXX)

Closely watched Semi stock Intel (INTC) will be releasing their quarterly results after the close on Thursday which may impact this group. Lesser know KLA Corp. (KLAC) will report on Wednesday.

Nvidia (NVDA) outperformed its peers last week with a 1.4% advance amid Wall Street upgrades. Boosting shares last week was an outlook reversal to positive from the last bearish analyst who also raised his price target to \$355. Bank of America followed suite later in the week with a similar price target. Both firms cited surging AI chip demand for the upgrades. NVDA is in a buy zone.

Software stocks were flat for the week ahead of the release of earnings from heavyweight name Microsoft (MSFT) which is due to report after the market closes on Monday. In addition to its Software growth, investors will be closely watching for comments regarding the company's cloud service that drives their popular ChatGPT service.

ServiceNow (NOW) outperformed last week with a 2.2% rally ahead of the release of their earnings after the markets open on Wednesday. NOW received 4 price target upgrades from major Wall Street firms last week to as high as \$562 which is 19% above its current price.

This large number of upgrades implies that the company will produce strong results next week as analysts are not going to risk their reputation unless they have some strong insights.

Cadence Design (**CDNS**) is also due to report earnings next week with the report due after the market closes tomorrow. Analysts raised estimates last week after news that the company is extending its collaboration with TSMC Semi and Microsoft

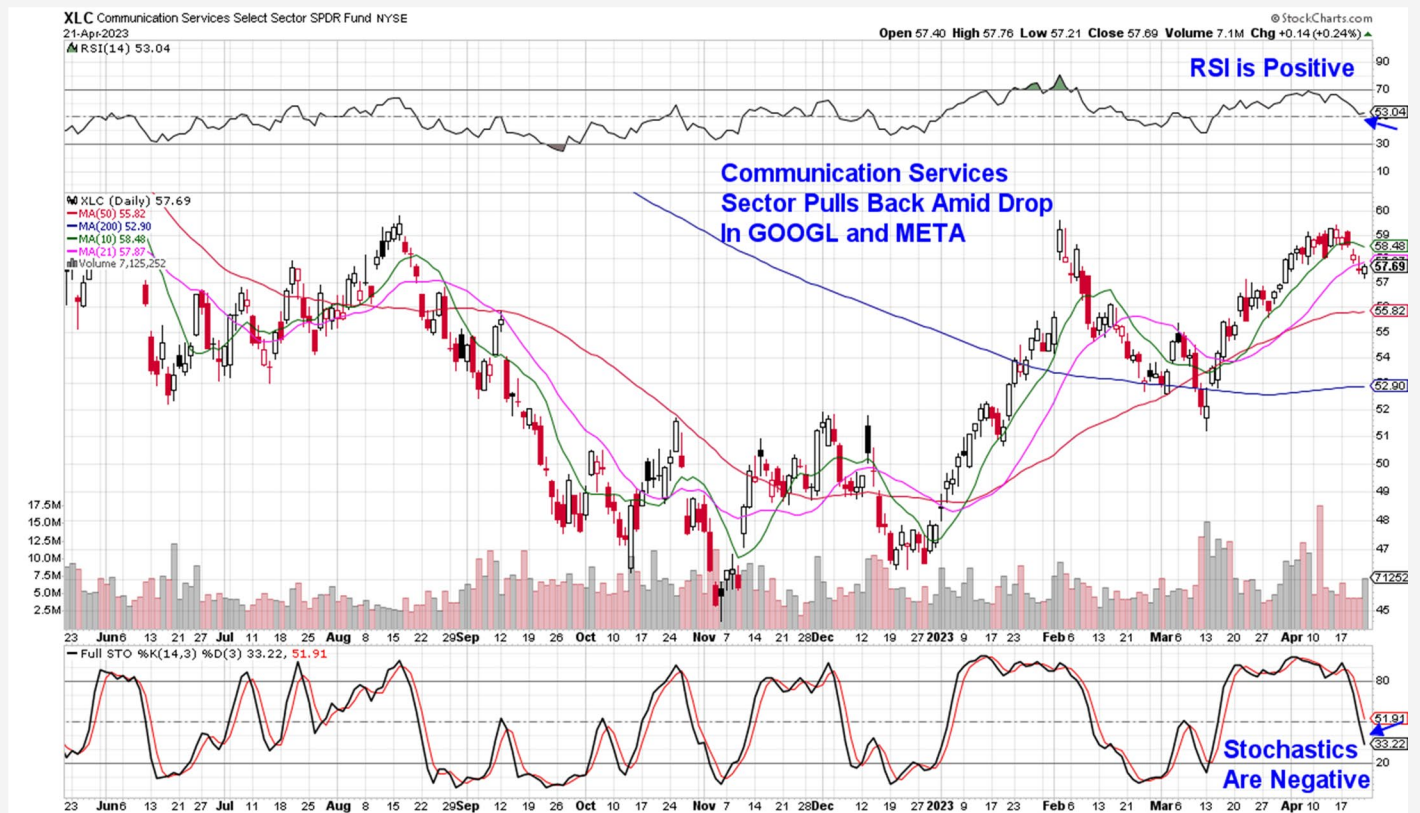
Fortinet (**FTNT**) pulled back last week however, volume was very light and the RSI and MACD remain in positive territory. FTNT is in a buy zone and can be bought

around the \$68 level which is above its shorter term moving averages.

Apple (**AAPL**) closed the week flat after a Friday pullback to its 10-day moving average. The company is not due to report earnings until early next month and is currently in a buy zone as it finds support at its upward trending 10-day moving average.

Next week we'll be closely watching Enphase (**ENPH**) and First Solar (**FSLR**) which are both on our Watch List and due to report earnings next week. Both companies have received recent upgrades to their growth outlooks and are in a position to trade higher depending on results.

Communication Services Select Sector SPDR Fund (XLC)



Communication Services Sector Hurt By Heavyweights

Communication Services was the worst performer for the week after being weighed down by underperformance in heavyweight stocks Meta Platforms (**META**) and Alphabet (**GOOGL**) which account for over 40% of this sector.

Recently added Alphabet (**GOOGL**) recovered from an early week selloff after a report stated that the company is looking to rebuild its AI powered search engine after learning that Samsung was considering replacing them with Microsoft's Bing. The stock has closed above its 21-day moving average and is very close to entering a strong buy zone at \$106 - above its 10-day moving average.

GOOGL is due to report their earnings after the market closes on Tuesday and in addition to insights into their AI efforts, investors will be closely watching advertising sales numbers for YouTube as well as their search engine.

Heavyweight stock Meta Platforms (**META**) is also due to report earnings next week - Wednesday after the close - and the release will be following last week's news of continued layoffs at the company. In past periods, this news was cheered, however, META pulled back almost 4% last week.

Summary

Over the past several weeks, the markets have remained in an uptrend while trading in a tight range as investors remain on alert for more clues relating to economic weakness, inflation and more recently, corporate health.

Next week will certainly provide insights as 1st quarter GDP will be released on Thursday which will show the economy's health, while core Personal Consumption Expenditures (PCE) data - a closely watched metric for inflation - will report on Friday.

Throughout the week, earnings reports from several heavyweight FAANG stocks as well as many other companies will also sway price action while shedding light on the growth prospects for corporations. With big Tech names playing such a large role in this year's rally, reports from Amazon, Microsoft and Alphabet may hold the biggest key to the markets next move.

At this time, the markets remain in an uptrend and we will alert you to any shift in our tempered bullish sentiment as the week unfolds.

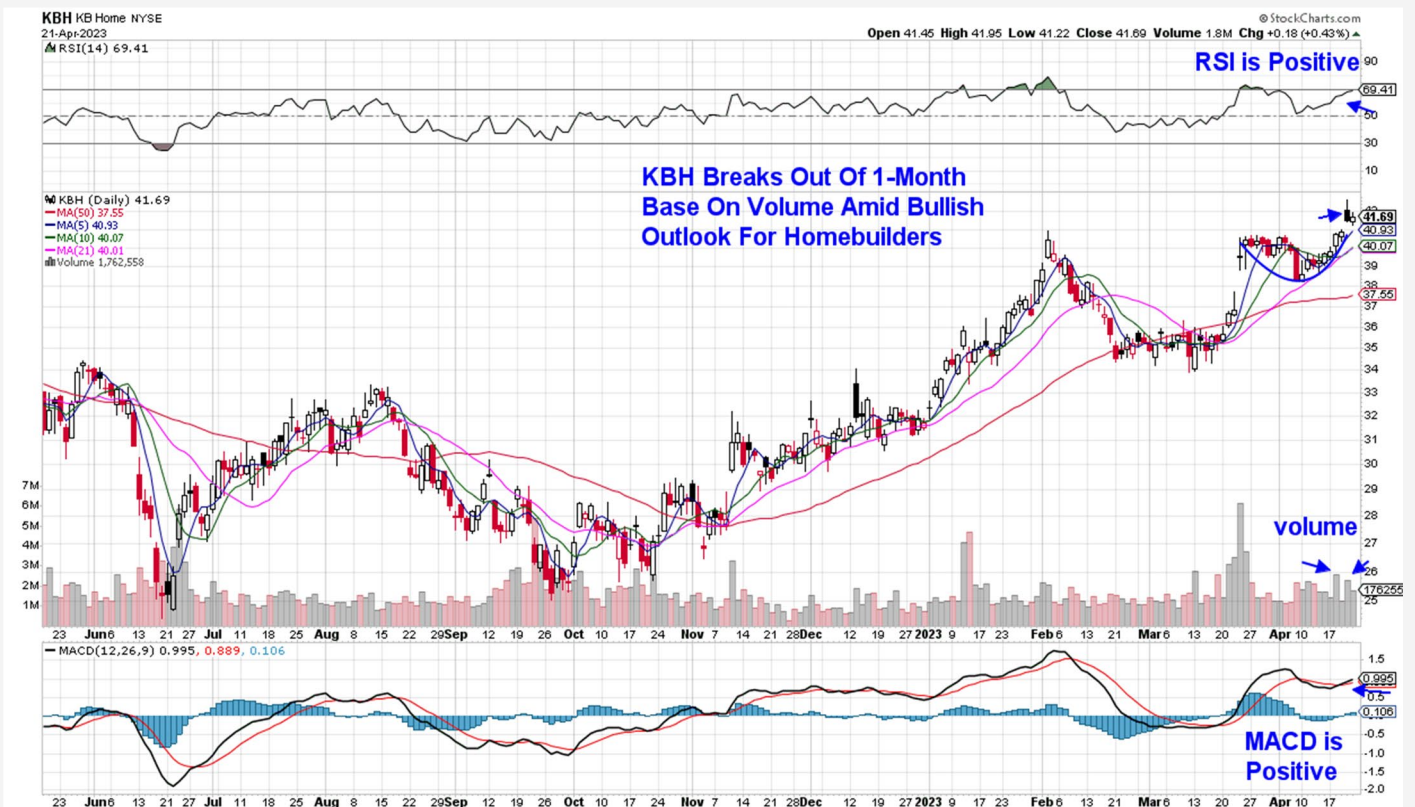
Daily Chart of NASDAQ Composite (\$COMPQ)



Daily Chart of Intuitive Surgical, Inc. (ISRG)



Daily Chart of KB Home (KBH)



Daily Chart of Las Vegas Sands Corp. (LVS)



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

PRICE

DATE
ADDED

PERFORMANCE

EARNINGS
DUE DATE

INDUSTRY GROUP

CONSUMER DISCRETIONARY

| | | | | | | |
|------|-----------------|----------|-----------|-------|----------|-------------------|
| FND | Floor & Décor | \$98.40 | 4/16/2023 | 0.0% | May 2 | Retail |
| KBH | K B Home | \$41.70 | 4/23/2023 | 0.0% | June 21 | Home Construction |
| LVS | Las Vegas Sands | \$63.50 | 4/23/2023 | 0.0% | July 19 | Gambling |
| NKE | Nike | \$125.90 | 4/16/2023 | 0.0% | May 2 | Footwear |
| MCD | McDonalds | \$271.30 | 3/26/2023 | 9.0% | April 25 | Restaurant |
| WING | Wingstop Inc. | \$157.80 | 1/29/2023 | 20.5% | May 9 | Restaurant |
| WMT | Walmart | \$147.50 | 4/2/2023 | 3.5% | May 3 | Retail |

COMMUNICATION SERVICES

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|-------|----------|----------|-----------|-------|----------|----------------|
| GOOGL | Alphabet | \$108.80 | 4/16/2023 | -3.0% | April 25 | Comm. Services |
|-------|----------|----------|-----------|-------|----------|----------------|

HEALTHCARE

| | | | | | | |
|------|--------------------------|----------|-----------|------|----------|------------------|
| AZN | AstraZeneca ADR | \$72.30 | 4/9/2023 | 4.5% | April 27 | Pharmaceuticals |
| HOLX | Hologic | \$82.80 | 4/9/2023 | 1.5% | May 1 | Medical Supplies |
| IBB | Nasdaq Biotechnology ETF | \$132.40 | 4/16/2023 | 1.0% | - | Biotechnology |
| ISRG | Intuitive Surgical | \$300.22 | 4/23/2023 | 0.0% | July 20 | Medical Supplies |
| MRK | Merck & Co. | \$115.30 | 4/16/2023 | 0.0% | April 27 | Pharmaceuticals |

TECHNOLOGY

| | | | | | | |
|------|----------------|----------|-----------|-------|----------|-------------------|
| AAPL | Apple | \$160.30 | 3/26/2023 | 3.0% | May 4 | Computer Hardware |
| CDNS | Cadence Design | \$196.12 | 3/5/2023 | 10.0% | April 24 | Software |
| FTNT | Fortinet Inc. | \$61.80 | 3/16/2023 | 8.0% | May 4 | Software |
| NOW | ServiceNow | \$464.70 | 3/5/2023 | 6.5% | April 26 | Software |
| MSFT | Microsoft | \$276.20 | 3/16/2023 | 3.5% | April 25 | Software |
| NVDA | Nvidia Corp | \$178.40 | 1/22/2023 | 43.5% | May 24 | Semiconductors |

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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