



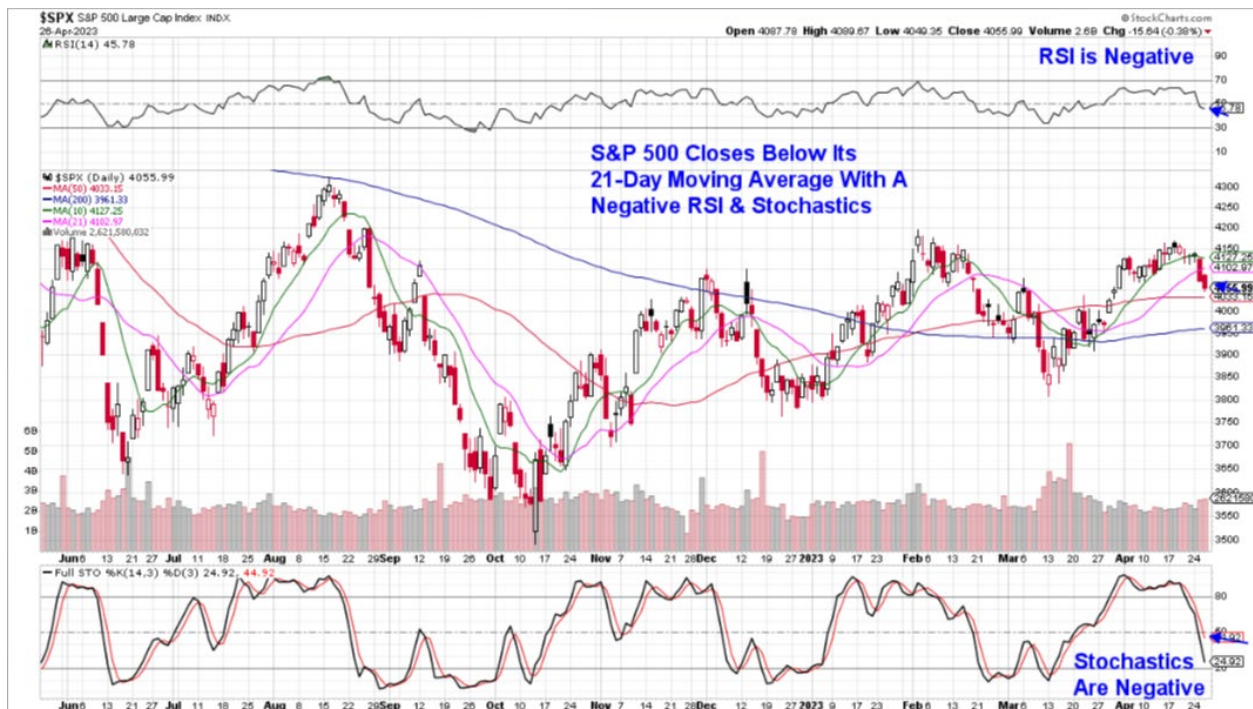
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Midweek Report

Wednesday, April 26, 2023

- Consumer Confidence Drops To 9 Year Low
- Durable Goods Orders Show Business Investments Falling
- Q1 GDP and Weekly Employment Data To Be Reported Tomorrow
- Personal Consumption Expenses For March (PCE) Due Friday
- Strong Earnings From Select FAANMG Names Prop Markets Up

Daily Chart Of SPX





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The S&P 500 is down 1.9% for the week in a move that's pushed the RSI and Stochastics into negative territory with the Index now below its 21-day moving average. The pullback had occurred on above average volume which points to distribution.

At this time, our near term outlook has shifted to a more negative stance with the 50-day moving average being the next area of possible support for the S&P 500 and its 0.6% away. A move back above its 10-day moving average coupled with a positive RSI and Stochastics would shift our sentiment to a positive one.

The Nasdaq has also pulled back with a 1.8% decline that has put the RSI and Stochastics into negative territory as well for this Index. While the Nasdaq has found support at its 50-day moving average, the negative momentum indicators point to a strong possibility of further nearterm downside.

A break below the 50-day moving average would put the next area of possible support at the 200-day moving average which is 3.3% away.

As for a move back into a near term bullish bias for the Nasdaq, a positive RSI and Stochastics coupled with a close above the 10-day moving average - which is 1.7% away - would have us positive.

The weekly chart for both Indices remains constructive which bodes well for the intermediate term outlook for the markets.

Earnings reports are continuing to drive price action in the markets with a positive report from Microsoft (**MSFT**) helping to boost other Technology stocks today. MSFT gapped up into a



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base breakout at \$292 on the news. Today's large volume points to further upside for **MSFT**.

Elsewhere in Technology, Software stocks came under selling pressure after Tenable (TENB) posted disappointing earnings and a reduced growth outlook going forward. The news caused a sharp pullback in cybersecurity software names such as Fortinet (**FTNT**) from our List.

FTNT has found support at its 50-day moving average however, the RSI is now in negative territory on the daily chart while the MACD is positive. **FTNT** is due to report earnings next Thursday.

ServiceNow (**NOW**) reported earnings after the close today and their results were above estimates. The stock pulled back to its 50-day moving average. The stock recovered from a close below its 50-day moving average on Thursday which put the RSI into negative territory.

We're keeping both **FTNT** and **NOW** on our Suggested Holdings List as they're above key support with a positive MACD and have weekly charts that are positive. However, we would not be a buyer at this time. Instead, we'll monitor price action into the end of the week.

Cadence Design (**CDNS**) fell sharply after guiding estimates lower for the remainder of this year. The news negated their positive earnings report and the stock now has a negative RSI while it clings to its 50-day moving average.

Thursday's high volume as buyers came in on the dip is encouraging however, we would not be a buyer on the pullback.



We'll reconsider our position on this stock depending on how it closes for the week.

Semiconductor stocks are continuing to trade lower with the group moving further below its key 50-day moving average. (using SOXX).

Nvidia (**NVDA**) is trading just below its 10 and 21-day moving averages with a positive RSI and MACD however, the negative bias of the Semiconductor group would not adding to any position in the stock.

McDonalds (**MCD**) reported strong results earlier this week however, the stock pulled back due to valuation concerns. The MACD on the daily chart is poised to post a negative crossover (black line down through the red) which is a signal of a near term shift of the current uptrend.

Short term investors may want to take profits while longer term investors can stay with the stock and sit through any potential pullback.

Wingstop (**WING**) posted a base breakout ahead of the release of their earnings next Wednesday. The stock is in a confirmed uptrend and is poised to continue to trade higher near term.

Walmart (**WMT**) is outperforming the markets and has pulled back to its 10-day moving average on light volume which puts the stock into a buy zone.



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Nike (**NKE**) has also pulled back on light volume however, the RSI is poised to turn negative on the daily chart. We'd be a buyer on a close back above its 10-day moving average.

Housing stocks are pulling back sharply with a 4.5% decline in the group amid a negative earnings report from peer stock NVR Inc.

KB Home (**KBH**) has pulled back much less than the group and is finding support at its 10-day moving average. While this would normally be considered a buy point, the negative price action in the group has us more neutral on our near term outlook for KBH.

Floor & Decor (**FND**) has posted negative price action today amid analyst downgrades to earnings. The stock has found support at its 50-day moving average however. A close below this key area of support would have us considering the removal of the stock from our List.

Healthcare stocks are performing in line with the markets however, Biotech stocks have pulled back amid lower than expected results from heavyweight name Biotech (BIIB). With the RSI in negative territory and the ETF **IBB** now below its 50-day moving average, we're removing it from our List.

Merck (**MRK**) and AstraZeneca (**AZN**) are both due to report their earnings tomorrow.

As suggested Intuitive Surgical (**ISRG**) is consolidating as the 10-day moving average moves closer to its current price.

The stock can be held. On Friday, the Personal Consumption Expenditures (PCE) price index will be released and the Core



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PCE is expected to dip slightly to 4.5%. A number higher than that may rattle the markets as this is a key gauge of inflation for the Federal Reserve.

At this time, the markets are leaning toward a negative bias ahead of this key inflation report on Friday as well as next week's FOMC meeting where the Federal Reserve will announce their interest rate hike.

This negative bias coupled with a mixed picture from the markets would have us refraining from putting new money to work at this time despite our positive outlook on several stocks on our List.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report