



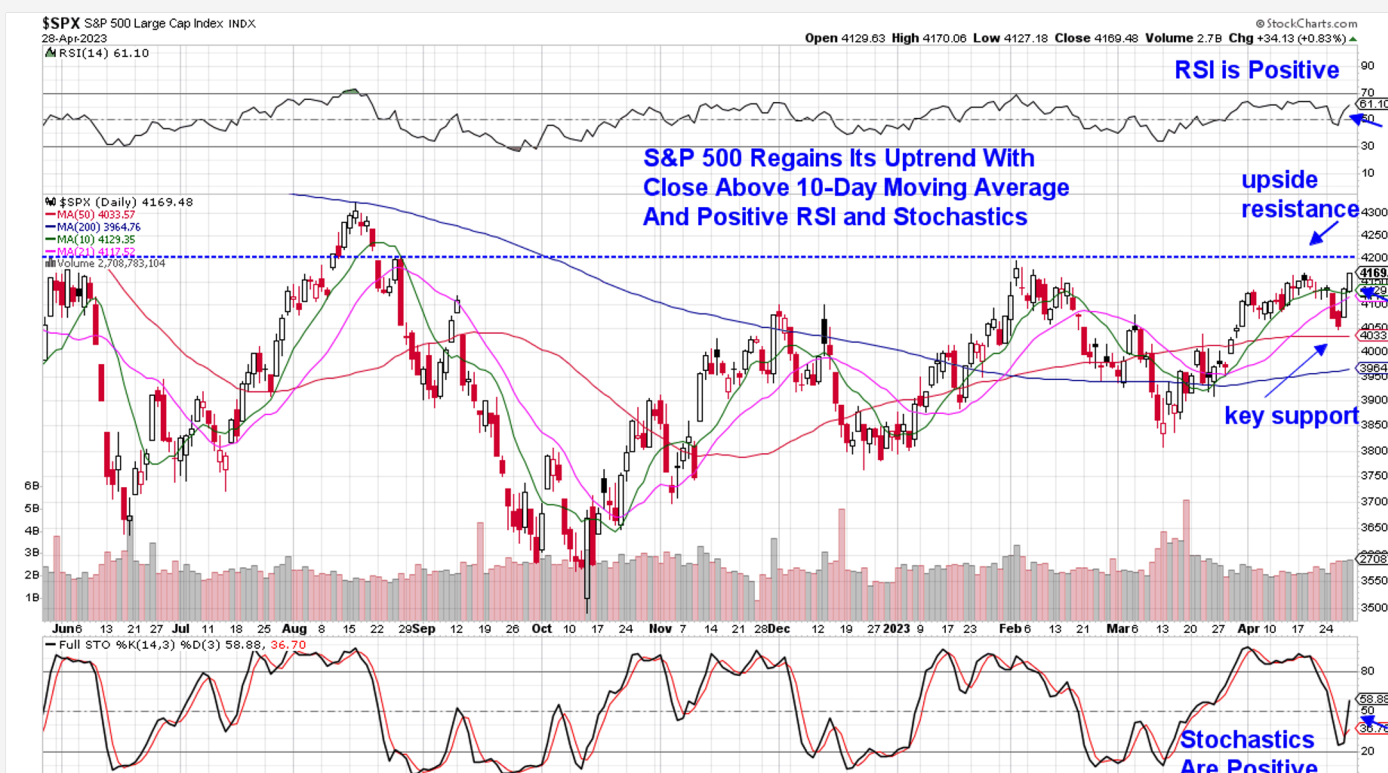
# THE MEM EDGE

April 30, 2023 | Weekly Report

## This Week's Highlights

- Consumer Confidence Drops To 9 Year Low
- Durable Goods Orders Show Business Investments Falling
- Core Personal Consumption Expenses For March (**PCE**) Remain Elevated
- Q1 GDP Shows The Economy Is Slowing
- Federal Reserve Interest Rate Statement and Powell Comments Next Wednesday
- April Employment Data Next Wednesday & Friday

### Daily Chart of S&P 500 (\$SPX)



The S&P 500 ended the week with a 0.9% gain which has this Index back above its 10-day moving average with the the RSI and MACD now in positive territory as well. The price action has put the S&P 500 back into an uptrend.

A key area of possible upside resistance is at the 4200 level however, which is less than 1% away. A sustained move above 4200 would be quite constructive as it would pave the way for further near-term upside for the S&P 500.

The Nasdaq fared even better, with a 1.3% gain that took place after the Index recovered from a pullback to its 50-day moving average due to a late-week rally. The Nasdaq is back above its 10 and 21-day moving averages with the Stochastics and RSI back in positive territory which puts the near-term uptrend back in place.

The markets began last week with a sharp pullback that occurred amid renewed banking fears after San Francisco based First Republic Bank (**FRC**) reported on

Tuesday that deposits had dropped by \$100 billion in the first quarter.

Technology stocks were hardest hit with Software and Semiconductor stocks down 3% on Tuesday as investors sold high growth stocks in the face of FRC's instability.

The major Indices staged a late week rally however, led by gains in mega caps stocks such as Microsoft (**MSFT**) and Meta Platforms (**META**) who reported better than expected earnings. Stocks in other areas of the market also rallied on Thursday and Friday with the largest gainers being companies that posted strong quarterly results.

The broad based rally into last week's close helped improve breadth in the markets as stocks outside of megacap FAANMG names sprung to life during the season's busiest week of quarterly earnings reports.

Not all sectors gained however with cyclical areas being weighed down by new signs of an economic slowdown after data showed reduced manufacturing activity as well as an increase in retail inventories. On Thursday, first quarter GDP data came in at 1.1% which was well below estimates of 2%.

Friday's personal consumption expenditures index (**PCE**) data which is the Fed's preferred inflation gauge, showed that while inflation slowed in March, it remains more than double the Fed's 2% target which adds to expectations that we'll see a ¼% hike in interest rates at

next week's Federal Reserve meeting. That said, the collapse of another large bank last week may have the Federal Reserve pausing their rate hike campaign.

Any signal of a pause in hikes would be bullish for the markets.

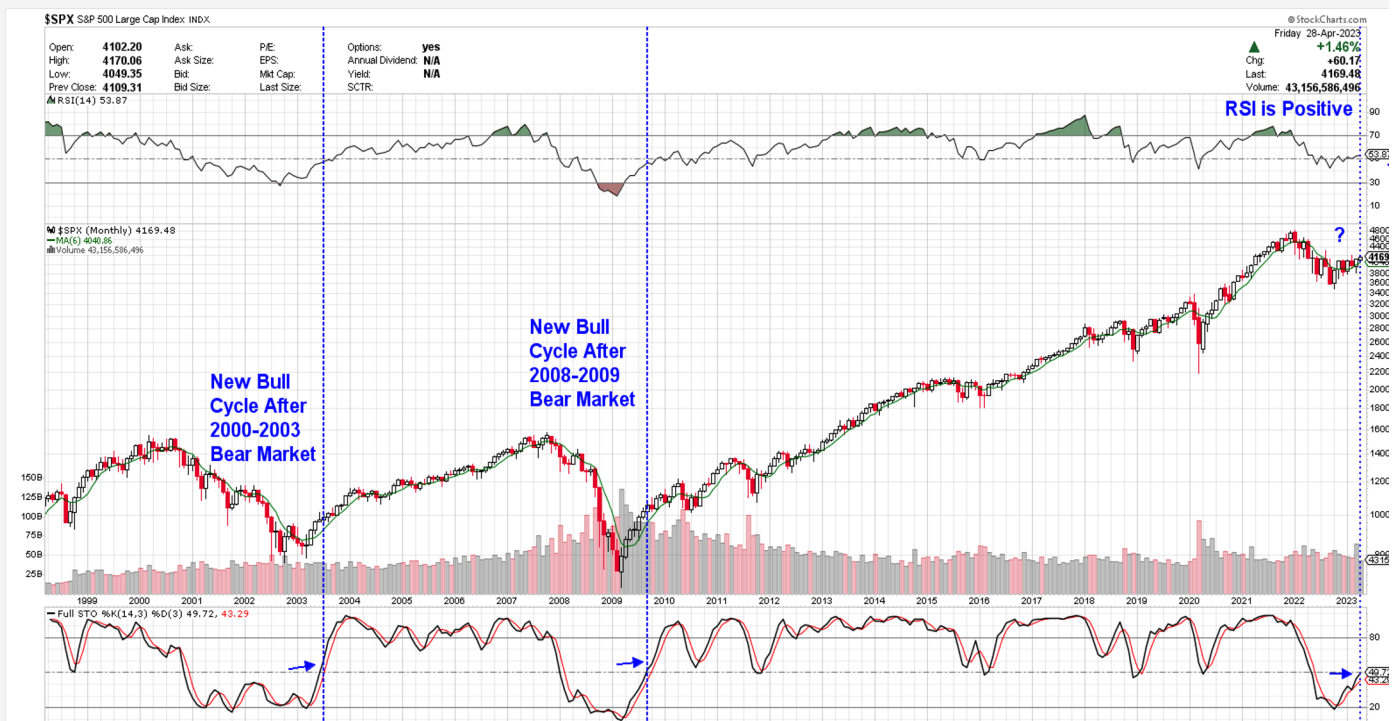
Last week's positive close amid strong corporate earnings results gives the markets a bullish bias however, caution is warranted as we head into Wednesday's potentially pivotal Federal Reserve announcement.

In addition to next week's interest rate decision, Apple (**AAPL**) is due to report earnings on Thursday after the markets close while several well known Semiconductor and Software stocks will be reporting as well.

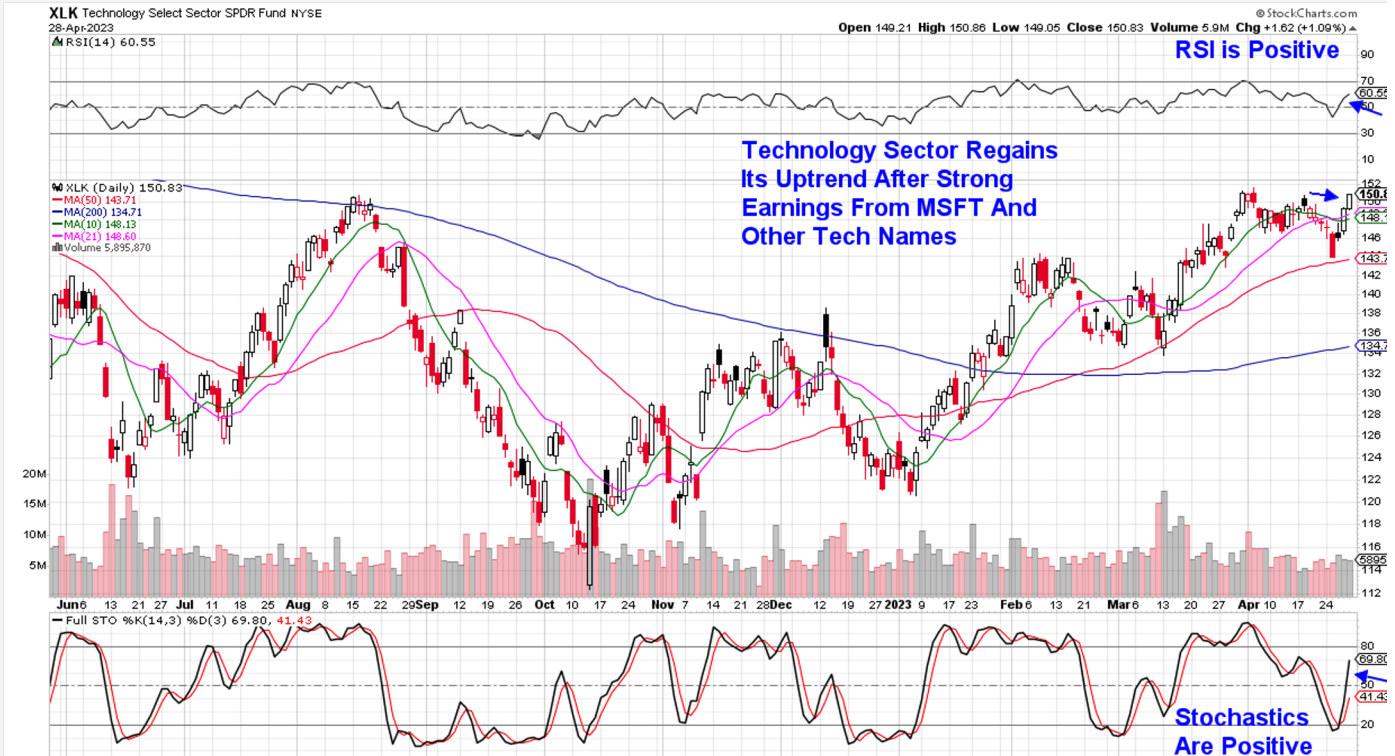
The monthly chart of the S&P 500 is now very close to turning positive with the Stochastics on the cusp of joining the RSI in positive territory. This would be quite bullish as a positive monthly chart was the hallmark of a new bull market cycle after the 2000-03 bear market as well as the 2008 bear period. (see chart below)

In addition to a positive chart, there's one key characteristic that's needed to signal a new prolonged uptrend out of a bear market. In particular, it's a removal of the event that pushed the markets into a downtrend. For the current bear market, that would be a decline in inflation which would in turn, put a halt to the Federal Reserve's rate hike campaign.

## Monthly Chart of S&P 500 (\$SPX)



## Daily Chart of the Technology Select Sector SPDR Fund (XLK)



### Technology Sector Among Top Performers

The Tech sector was a top performer after getting a big boost from heavyweight stock Microsoft (**MSFT**). The stock gained 7.5% on the heels of reporting earnings and sales that were ahead of estimates due to a surge in their cloud computing businesses.

MSFT gapped up into a base breakout on heavy volume on the news which in turn, pushed the RSI into positive territory while the MACD posted a bullish crossover (black line up through the red).

The stock is currently in a continuation rally phase similar to its mid-March period which we had anticipated in our Midweek Report. The stock is set up to begin trending sideways over the next day or two which would allow the 5-day moving average to catch up to the price as MSFT consolidates. Pullbacks to this 5-day mav then become a buy point.

MSFT pulled back sharply on Tuesday ahead of the release of their earnings and this was in line with other Software stocks that were hit hard by renewed banking related fears.

Cadence Design (**CDNS**) fell particularly hard after providing weak growth guidance for the current quarter. The news negated their positive earnings report and the stock fell as much as 9% before buyers came in and the stock closed the day down 4%.

Heavy volume on the buying encouraged us to keep the stock on our List despite a negative RSI. CDNS saw continued buying which pushed the RSI into positive territory. A move above its 10 and 21-day moving averages would put the stock into a buy zone.

ServiceNow (**NOW**) also participated in the pullback among Software stocks despite reporting earnings and sales ahead of estimates and guiding estimates higher for this year. NOW pulled back to its 200-day moving average before buyers came in.

Several Wall Street firms reiterated their strong buy rating for the stock which helped boost shares into Friday's close. The RSI is back in positive territory and NOW can be bought on a close above its 21-day moving average which is at \$466.

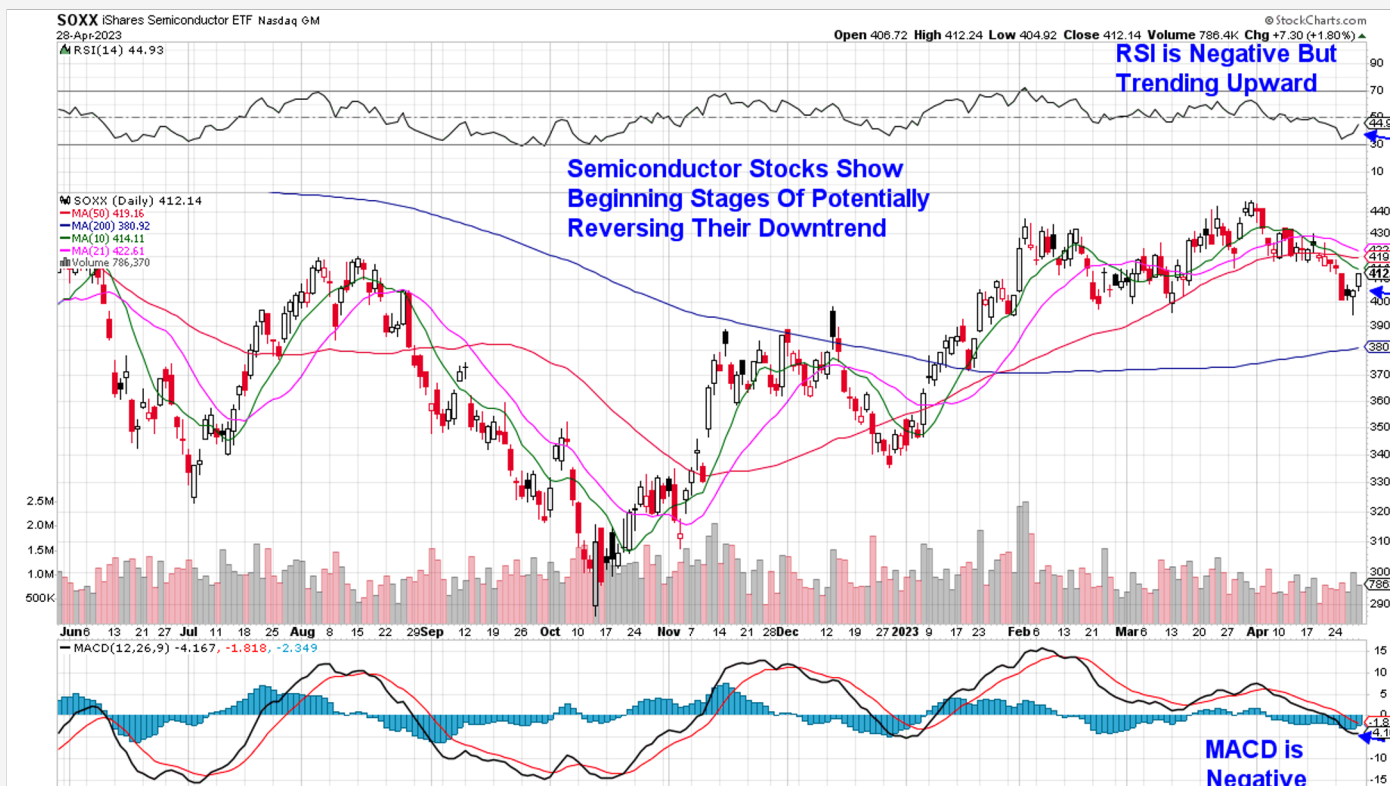
Cybersecurity related stocks were the worse performers among Software after Tenable (**TENB**) posted disappointing earnings and a reduced growth outlook going forward. (**FTNT**) from our List is in this area and the stock has closed the week below its 50-day moving average with a negative RSI. Longer term investors can remain with the stock as the weekly chart remains intact however, please be aware that FTNT is due to report earnings next Thursday. We're removing the stock from our Suggested Holdings List.

Semiconductor stocks also underperformed for the week however, the group experienced a rally on Thursday and Friday ahead of the release of earnings from several well known Semi companies next week.

Among them is Advanced Micro (**AMD**) which has a particularly interesting chart as it's poised for a downtrend reversal with the RSI close to turning positive. The stock is at the top of our Watch List as any rally after the release of their earnings on Tuesday after the markets close, would be quite positive.

Nvidia (**NVDA**) outperformed its peers with a 2.3% rally that pushed the stock back above its 10-day moving average and into a buy zone. A bullish MACD crossover (black line up through the red) would push the stock into a strong buy zone.

### Daily Chart of iShares Semiconductor ETF (SOXX)



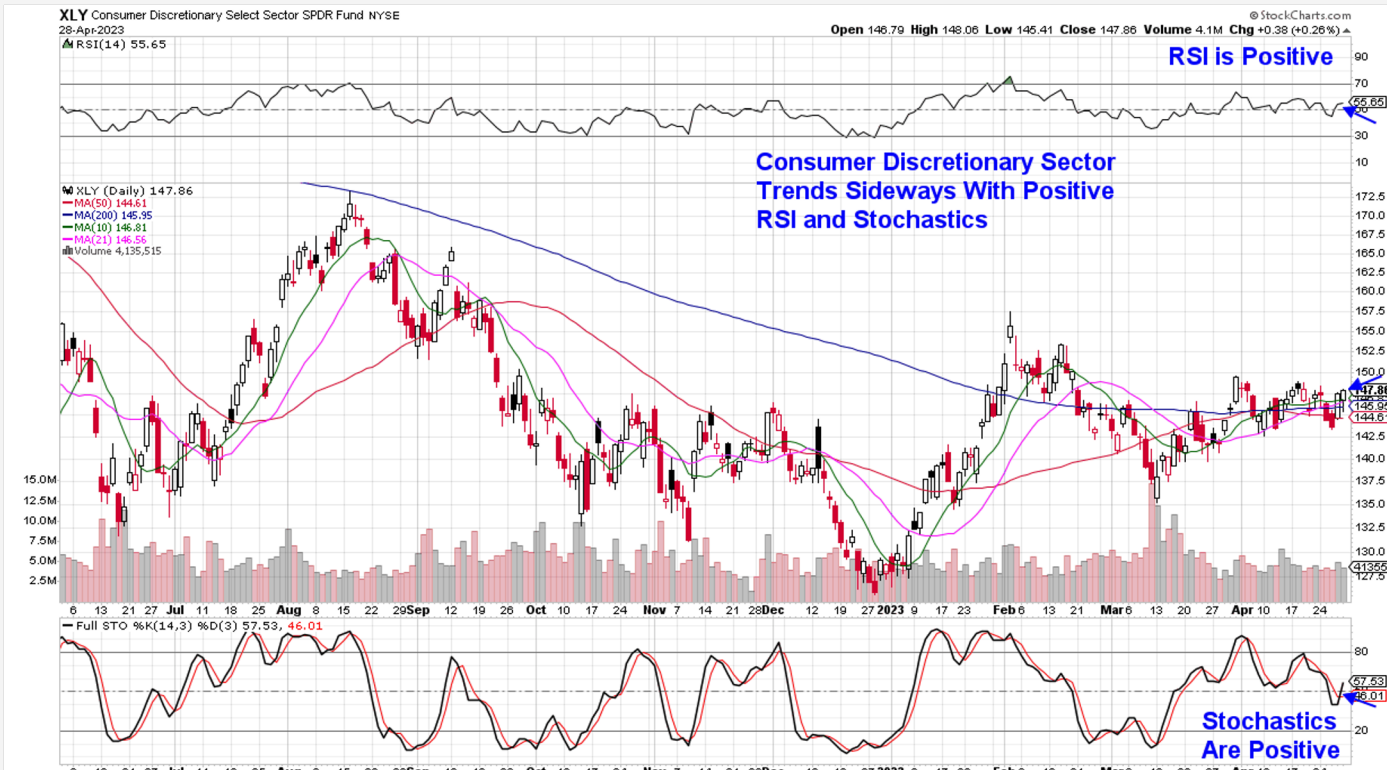
Apple (**AAPL**) will report earnings after the close on Thursday. Early reports show that smartphone shipments are in better shape than 6 months ago thanks to promotional efforts however, PC demand may be weak. Most closely watched will be AAPL's guidance regarding growth prospects into year end.

Last week's rally in Technology pushed the sector back into an uptrend and close to its late March highs. That said, only 25% of the 800 stocks in this sector are above

their key 50-day moving average which leaves plenty of room for improvement. This statistics highlights the importance of why we stay on top of sub industry groups such as Software, and then refine that further when discussing Cybersecurity stocks within software.



## Daily Chart of the Consumer Discretionary Select Sector SPDR Fund (XLV)



### Consumer Discretionary Sector Underperforms

The Consumer Discretionary sector was up less than the markets after being weighed down by underperformance in heavyweight stocks Amazon (**AMZN**) and Tesla (**TSLA**). Retail stocks overall continue to underperform with the group now down 20% from a peak price for this year in late February. (using ETF XRT)

There are bright spots among Retailers however such as restaurant stock Wingstop (**WING**) from our List which rallied 5% ahead of the release of their earnings before the markets open on Wednesday.

Last week's gains may in part be due to peer company Chipotle's (**CMG**) strong earnings results on Tuesday. Both companies are best in class (along with McDonalds (**MCD**) as they're experiencing growth due to digital and loyalty initiatives as well as the introduction of new products. **WING** is in a confirmed uptrend as it finds support at its 5-day moving average. As always, we do not advise buying the stock directly before earnings.

McDonalds (**MCD**) reported strong quarterly results on Tuesday with the company citing increased guest counts in every segment due to customer demand for the MCD brand. The company reported 12.6% same store sales which is exceptional. The stock received 12 Wall Street price target upgrades after the news with the average in the \$330 range.

MCD is back in an uptrend after a post-earnings drop and the stock can be bought on a pullback to its 5-day moving average in the \$293 range.

Housing stocks recovered from an early week pullback after renewed banking fears pushed the group lower amid fears of reduced mortgage lending.

KB Home (**KBH**) sprinted to new near term highs after a 5.1% rally that took place amid analyst upgrades and strong earnings reports from smaller home construction companies such as Taylor Morrison (**THMC**). **KBH** is extended out of a buy range and can be bought on a pullback to its 5-day moving average in the \$42 range.

Last week we mentioned we'd monitor the price action in DR Horton (**DHI**) to ensure that it maintained its gap up in price after reporting strong earnings the prior week. **DHI** has done that and is now in a confirmed uptrend as it finds support at its 5-day moving average. We're adding the stock to our Suggested Holdings List.

The robustness in the housing market has been primarily due to reduced inventory which has allowed homeowners to overlook higher interest rates. This strength has improved home building related stocks such as Floor and Decor (**FND**) which offers both retail and commercial flooring solutions.

While hotel stocks overall struggled last week, Las Vegas Sands (**LVS**) posted a 1.5% gain due to management's bullish comments regarding increased travel and tourism at their Macau location in China. The stock is in a strong buy zone after closing the week back above its 5-day moving average with positive momentum indicators.

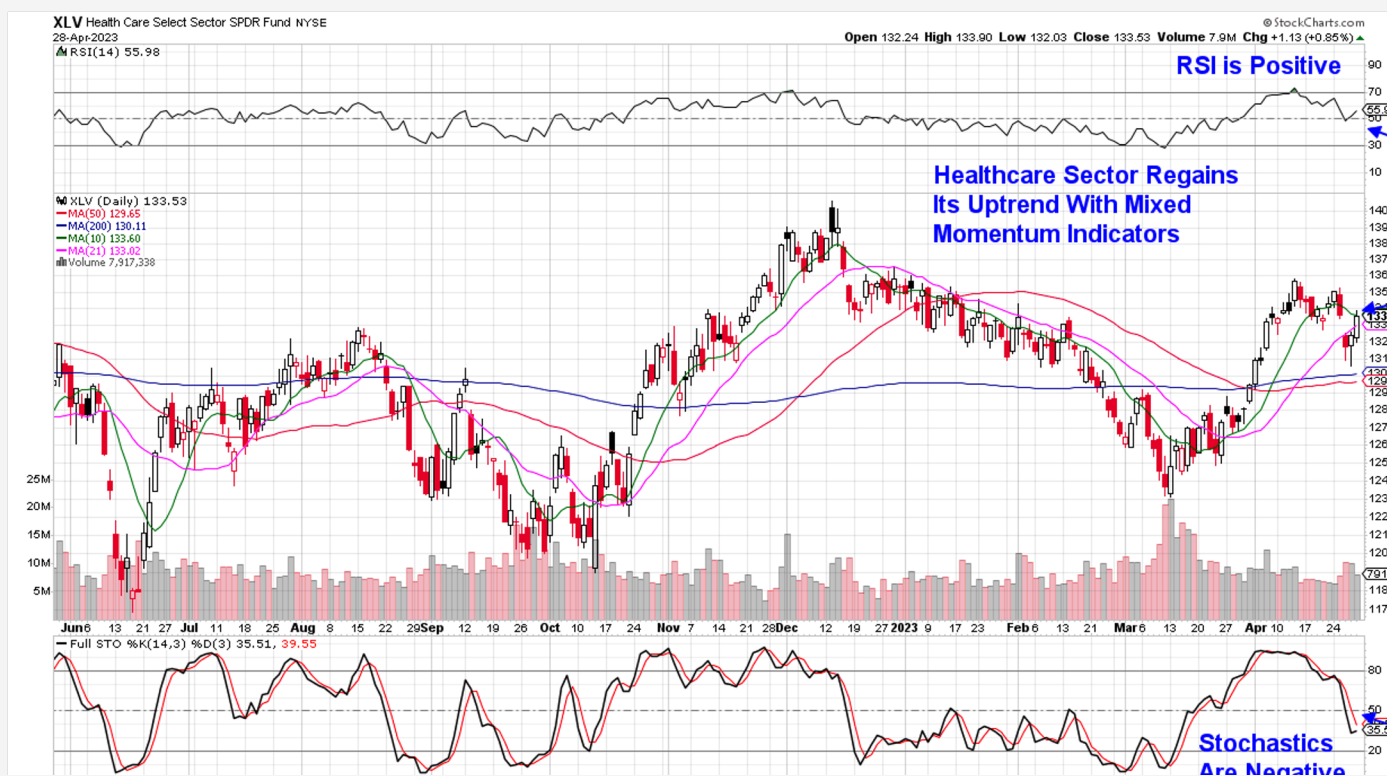
FND has reentered an uptrend ahead of the release of their earnings on Thursday after the market close.

It was a mixed week for Shoe manufacturers as well known company Crocs (**CROX**) tumbled 16% after guiding growth estimates lower for the 2nd quarter while Skechers (**SKX**) gapped up on strong earnings and sales.

Nike (**NKE**) outperformed the group with a 1% gain that puts the stock in a strong uptrend. The global leader in athletic footwear and apparel has increased digital sales by 24% with new initiatives that are expected to continue to gain growth. NKE is in a strong buy zone after closing the week above its 5-day moving average with positive momentum indicators.

Walmart (**WMT**) gained 1% but ended the week flat despite a price target upgrade to \$159. The company is well positioned to continue to grow sales due to competitive pricing and streamlined operations and WMT is in a buy zone. A move above its recent high of \$154 would put the stock into a strong buy zone.

### Daily Chart of Health Care Select Sector SPDR Fund (XLV)



### Healthcare Sector Among Weakest Areas

Healthcare stocks pulled back amid mixed earnings reports from heavyweight Pharmaceutical and Biotechnology stocks.

Merck (**MRK**) from our List reported earnings last week that were above estimates however, the stock pulled back after lowering their sales outlook for this year. MRK provided a positive update regarding FDA approval of their treatment for prostate cancer. The news was released after the market closed on Friday which may positive impact the stock going into next week.

The drug has been developed jointly with AstraZeneca (**AZN**) which is also on our List. AZN reported 1st quarter results on Thursday that were mixed as earnings came in above estimates but sales numbers missed due to a continued decline in demand for Covid related products.

MRK is in a buy zone after closing the week above its 10-day moving average after a late week rally on above average volume. AZN however can be held as last week's pullback puts the stock at its 21-day moving average with the RSI and MACD trending downward. A

A move back above its 10-day mav at \$74.5 would put AZN back into an uptrend.

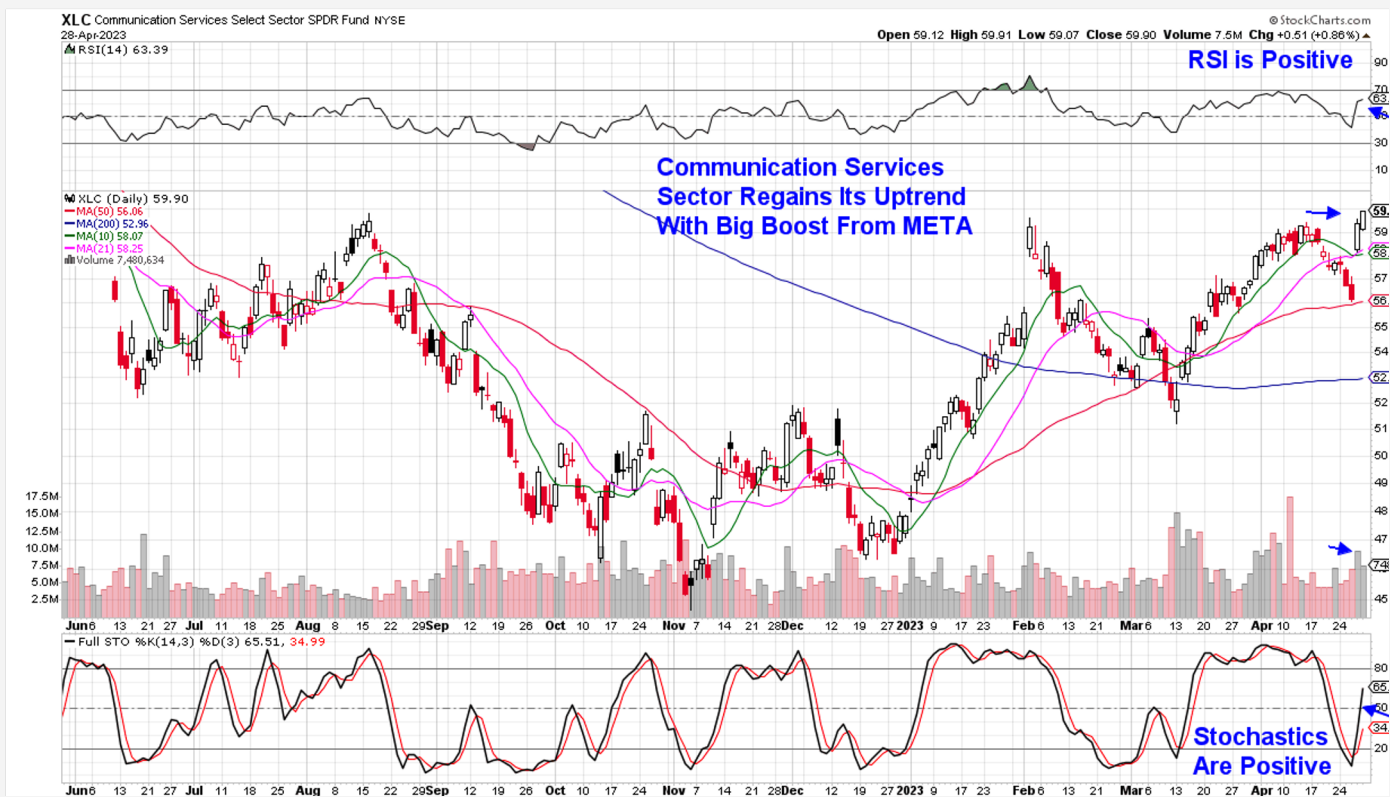
Hologic, Inc. (**HOLX**) is a hair away from a 3-month base breakout ahead of the release of their earnings after the market closes tomorrow. Analysts are anticipating GYN surgical sales will help earnings come in above estimates however, we'd wait for the release of their report before potentially initiating a position.

Intuitive Surgical (**ISRG**) is in a strong buy zone after regaining its 5-day moving average on Friday following

news of FDA approval for their urologic surgical device that's expected to improve the companies growth.

As suggested when we added the stock last week, ISRG was due a period of consolidation after gapping up in price the prior week due to strong earnings results. The stock ended the week flat after back and fill price action with Friday's rally putting the stock into a buy zone.

### Daily Chart of the Communication Services Select SPDR Fund (XLC)



### Communication Services Sector is Top Performer

A sharp rally in Meta Platforms (**META**) helped push this sector into an uptrend. Strong results in other Internet related stocks as well as select Media and Mobile Telecom companies also helped boost this sector after they posted sharp gains in response.

The broadening out of participation within this sector is encouraging and we are on the lookout to add Comcast Corp. (**CMCSA**) on any pullback after last week's 9.5% rally on heavy volume pushed the stock into an overbought position as well as a base breakout.

Alphabet (**GOOGL**) gained a more modest 2% for the week however, its close above each of its moving averages is quite constructive. The company reported earnings and sales last week that were ahead of estimates as advertising trends were better than expected for the first time since a year ago. GOOGL is in a buy zone.

## Summary

Last week's volatile price action in the markets occurred amid fear based selling due to First Republic Bank's near collapse early in the week, which was then counter balanced by a rally after strong earnings reports from Microsoft and others. In the end, the markets ended on a strong note with the major Indexes back above key moving averages with positive momentum indicators.

Currently, futures are in positive territory as we head into what could be a pivotal week with the Federal Reserve's Wednesday interest rate announcement taking center stage.

While the Fed's stuck between raising interest rates and likely pushing the economy into a recession versus pausing and risking that inflation accelerates later in the year, last week's near collapse of another major bank adds a new twist to the possible outcome.

As you may recall, at their March 22nd meeting the Federal Reserve indicated it was on the verge of pausing further rate hikes after the recent collapse of SVB and SBNY.

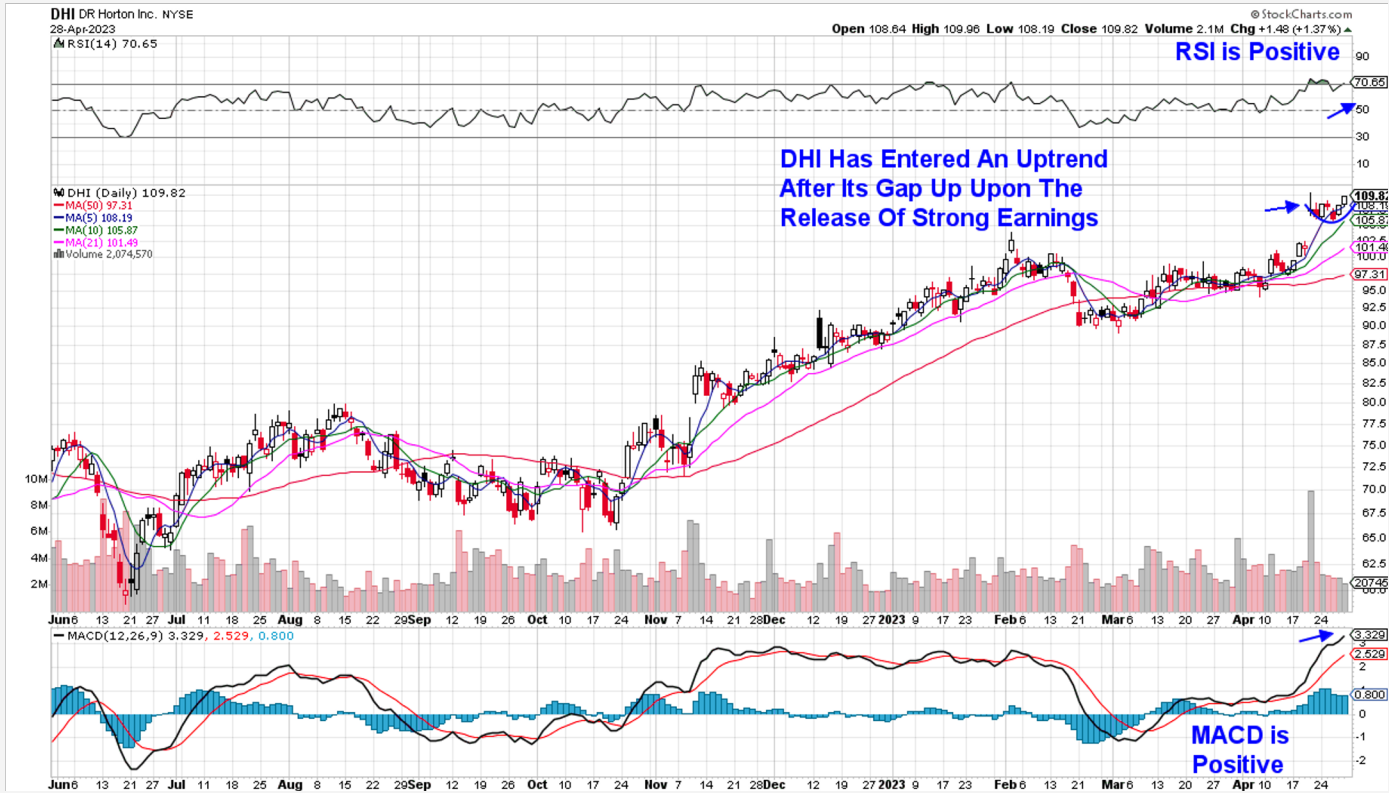
As cited, a pause of the Fed's rate hike campaign would be constructive for the broader markets.

At this time, we're approaching next week with a cautiously bullish bias however, as was displayed last week, shifts can occur quickly as mixed outlooks for the economy and hence the markets, remains in place. This is unlike a universally bullish bias such as 2020 and parts of 2021 - when putting money to work was a much less risky proposition.



# BUY: DR Horton Inc. (DHI)

## Daily Chart of DR Horton Inc. (DHI)



# 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	4/16/23	1.0%		Retail
KBH	K B Home	\$41.70	4/23/23	5.0%		Home Construction
LVS	Las Vegas Sands	\$63.50	4/23/23	1.5%		Gambling
NKE	Nike	\$125.90	4/16/23	1.0%		Footwear
MCD	McDonalds	\$271.30	3/26/23	10.5%		Restaurant
WING	Wingstop Inc.	\$157.80	1/29/23	25.5%		Restaurant
WMT	Walmart	\$147.50	4/2/23	3.0%		Retail

COMMUNICATION SERVICES						
GOOGL	Alphabet	\$108.80	4/17/23	-1.0%		Comm. Services

HEALTHCARE						
AZN	AstraZeneca ADR	\$72.30	4/9/23	1.5%		Pharmaceuticals
HOLX	Hologic	\$82.80	4/9/23	4.0%		Medical Supplies
ISRG	Intuitive Surgical	\$300.22	4/23/23	0.5%		Pharmaceuticals
MRK	Merck & Co.	\$115.30	4/16/23	0.0%		Pharmaceuticals

TECHNOLOGY						
AAPL	Apple	\$160.30	3/26/23	6.0%		Computer Hardware
CDNS	Cadence Design	\$196.12	3/5/23	8.0%		Software
FTNT	Fortinet Inc.	\$61.80	3/16/23	2.5%		Software
NOW	ServiceNow	\$464.70	3/5/23	3.5%		Software
MSFT	Microsoft	\$276.20	3/16/23	9.0%		Software
NVDA	Nvidia Corp	\$178.40	1/22/23	46.0%		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.

**Disclaimer:** This publication "MEM Edge Report" is published by MEM Investment Research, LLC, and is both proprietary and intended for the sole use of subscribers. No license is granted to any subscriber, except for the subscriber's personal use. No part of this publication or its contents may be copied, downloaded, stored in a retrieval system, further transmitted, or otherwise reproduced, stored, disseminated, transferred, or used, in any form or by any means, except as permitted under the subscription agreement or with the prior written permission of MEM Investment Research, LLC. Any further disclosure or use, distribution, dissemination or copying of this publication, message or any attachment is strictly prohibited. MEM Investment Research, LLC is a financial publisher who publishes information about markets, stocks, industries, sectors and investments in which it believes subscribers may be interested. The information in this letter is not intended to be personalized recommendations to buy, hold or sell investments. MEM Investment Research, LLC is not permitted to offer personalized trading or investment advice to subscribers. Employees of MEM Investment Research, LLC may own positions in stocks mentioned or highlighted in THE MEM Edge Report. The information, statements, views and opinions included in this publication are based on sources (both internal and external sources) considered to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. Such information, statements, views and opinions are expressed as of the date of publication, are subject to change without further notice and do not constitute a solicitation for the purchase or sale of any investment referenced in this publication. By using the information in THE MEM Edge Report, or from MEM Investment Research, LLC, or [www.meminvestmentresearch.com](http://www.meminvestmentresearch.com), you assume full responsibility for any and all gains and losses, financial, emotional or otherwise, experienced, suffered or incurred by you. SUBSCRIBERS SHOULD VERIFY ALL CLAIMS AND DO THEIR OWN RESEARCH BEFORE INVESTING IN ANY INVESTMENTS REFERENCED IN THIS PUBLICATION. INVESTING IN SECURITIES AND OTHER INVESTMENTS, SUCH AS STOCKS, OPTIONS AND FUTURES, IS SPECULATIVE AND CARRIES A HIGH DEGREE OF RISK. SUBSCRIBERS MAY LOSE MONEY TRADING AND INVESTING IN SUCH INVESTMENTS.