

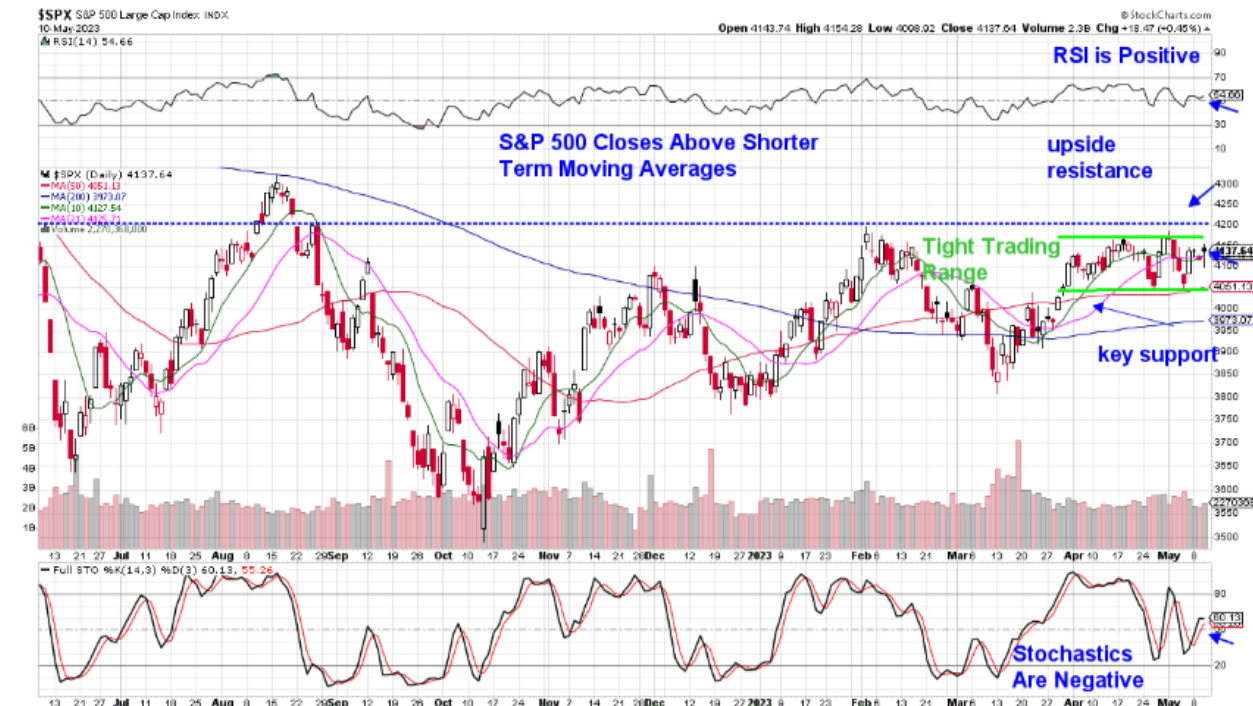


# THE MEM EDGE

Midweek Report

Wednesday May 10, 2023

- Annual CPI Data Falls For First Time In Two Years
- NY Fed President Sees Signs Of Credit Tightening
- April Producer Price Index (PPI) Data Due Tomorrow
- May Consumer Sentiment Reports On Friday
- Adding DDOG and Removing HOLX



The S&P 500 is flat for the week in a move that keeps this Index above its shorter term moving averages with the RSI and Stochastics now both in positive territory. This is a positive position for the near term prospects for the markets however, continued uncertainty among investors may dampen overall price action.



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The Nasdaq has gained 0.6% in a move that puts it at a year to date high led by outperformance in mega-cap names such as Alphabet (GOOGL), Amazon (AMZN) and Netflix (NFLX).

With the RSI and Stochastics in positive territory, the near term uptrend for the Nasdaq remains in place. In addition to gains in select mega cap FAANMG names, Software stocks have reversed their downtrend today (using IGV) with above average earnings reports being the primary driver among the largest gainers.

This week started out flat as investors digested comments from a Fed official that signs of tighter credit are emerging among Regional banks. The news heightened inflation fears as reduced lending will dampen growth prospects among corporations. Investors were also on edge heading into today's key Consumer Price Index (CPI).

Overall, the CPI data showed a slight reduction in year over year inflation which was enough to spark today's rally. The biggest gaining sector on the day was Technology while Energy and Financials continued last week's underperformance.

Alphabet (**GOOGL**) has been a big winner for the week with a 6% gain that was helped today by a release of the company's latest BARD AI feature at an AI conference. Today's 4% rally pushed GOOGL out of its recent 5-week trading range and into an uptrend with the MACD posting a positive crossover.

**GOOGL** is in a strong buy zone as it's poised for further near-term upside.



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Among the Technology names on our List, UBER has been another top performer with a 2.8% gain that keeps the stock in a confirmed uptrend as it finds support at its 5-day moving average. The stock remains in a buy zone as it is poised to trade higher.

Semiconductor stocks are continuing to struggle with the group down 0.3% while finding resistance below key moving averages with a negative RSI and MACD.

There were bright spots within Semis however, with Nvidia (**NVDA**) gaining 0.7% as the stock is finding support at its upward trending 5-day moving average. The gain followed a price target upgrade today from a major Wall Street firm. NVDA is in a strong buy zone.

Apple (**AAPL**) is flat for the week as it consolidates after last week's gap up in price due to a strong earnings report. AAPL is in a strong buy zone as it potentially forms a high tight flag formation.

As mentioned, Software stocks have entered an uptrend after closing above their 21-day moving average on above average volume today. In addition, the RSI and MACD are now in positive territory. (using ETF IGV).

The 2.2% rally in this group is being led primarily by beaten down names that are coming in with strong earnings reports that are in turn, shifting investor's growth outlook for the given company.

Among those stocks is Datadog (**DDOG**) which we're adding to our Suggested Holdings List. The company reported strong earnings last week due to high demand for their cloud monitoring



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software service which is critical for many online applications such as retail and gaming to name just two.

**DDOG** posted a rally today which pushed the stock into a new uptrend after closing above its 200-day moving average on heavy volume. In addition, the stock broke out of a 3 month base. The stock can be bought on a pullback to its 5-day moving average in the \$80 range.

In addition, we're keeping a close eye on Financial Software stock Intapp (INTA) after it reversed its downtrend following strong earnings results yesterday. In particular, a positive MACD coupled with further upside in its shorter term 5 and 10-day moving average would have us potentially adding the stock to our Suggested Holdings List.

The Consumer Discretionary sector is gaining due to a sharp gain in heavyweight Retailer Amazon (AMZN). Elsewhere in this sector, Hotel and Travel Related stocks have been hurt due to weak guidance from major lodging firm Airbnb (ABNB). Las Vegas Sands (LVS) from our List has outperformed its peers with a 1.4% rally that puts the stock into a buy zone after its close today above its 10-day moving average.

Housing stocks are mostly flat this week however, KB Home (**KBH**) has posted a 3% gain as it remains in a strong uptrend. The stock can be bought on a pullback to its 5-day moving average at \$44.5

Walmart (**WMT**) broke out of a 2 week base on volume today following 2 Wall Street upgrades due to improved growth outlooks to both their online and in store sales. WMT is in a strong buy zone.





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Wingstop (WING) is pulling back this week; however, its RSI and MACD remain in positive territory. We'd be a buyer on a move back above its 5-day moving average at \$206.

The Healthcare sector is underperforming this week with most of the stocks on our List trending sideways amid light volume. This would include **MRK**, **BIIB**, **ISRG** and **AZN** which are each finding support at their 10-day moving averages. Each of these names remain in an uptrend and can be held.

Hologic (**HOLX**) is struggling however, with rather wide daily price swings which are not characteristic of a stock that's in an uptrend. We're removing HOLX from our Suggested Holdings List as the RSI has turned negative on its daily chart.

The broadening out of the markets to now include Software stocks is quite encouraging - certainly for the tech-heavy Nasdaq. However, it remains clear that mega-cap stocks are continuing to lead the markets higher with select pockets of strength mostly where earnings are coming in ahead of estimates.

Tomorrow, additional inflation data will be released with the Producer Price Index (PPI) data for April due before the markets open. This inflation report is most closely watched by the Federal Reserve and may push the markets, depending on results. Core PPI for April is expected to increase by 0.2%.

Warmly,  
Mary Ellen McGonagle  
Editor, MEM Edge Report



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## Daily Chart of Datadog (DDOG)

