

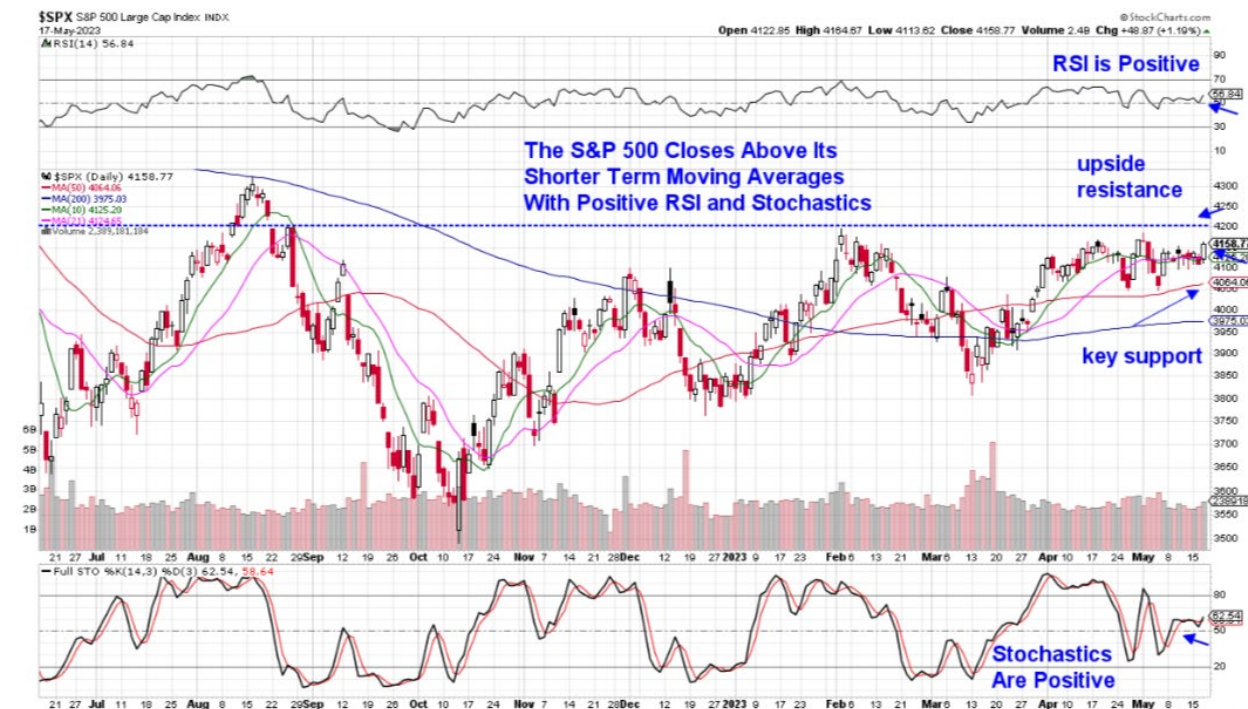


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Midweek Report

Wednesday May 17, 2023

- Retail Sales Rebound In April
- April Industrial Production Rises After Two Flat Months
- Home Builder Confidence Rises For 5th Consecutive Month While Housing Starts Increase Amid A Lack Of Homes
- Weekly Jobless Claims Report Tomorrow With Fed Chair Powell Speaking On Friday
- Adding AVGO, ACLS and CRM to Suggested Holdings List



The S&P 500 has gained 0.9% for the week in a move that keeps the near term uptrend in place as this Index closed above its 21-day moving average with the RSI and Stochastics in positive territory.



THE MEM EDGE

Midweek Report

The gains this week are due to a 1.2% rally today, which took place amid optimism surrounding the possibility of raising the U.S. debt ceiling and avoiding a default. Positive news in the banking system also boosted the markets after Western Alliance Bancorp (WAB) reported growth in deposits.

The S&P 500 is now less than 1% away from a possible move above 4200 which has been a key area of resistance. Should we see a continuation rally above this level for a period of a week or more, our conviction in a long term uptrend would strengthen considerably. Any pullback would have us using the 50-day moving average as the first area of possible support and currently, that's 2.3% away.

The Nasdaq has posted a 1.8% rally for the week led by a sharp rally in Semiconductor stocks as well as outperformance in a majority of the FAANMG stocks. Software stocks are also on the move higher. The Nasdaq has now surpassed its February high and is moving closer to regaining its August high which is the next area of possible resistance.

Outside of a sharp rally in Bank stocks, the Technology sector is the top performing for the week with Consumer Discretionary not far behind. On the other hand, defensive areas of the market such as Utilities, Staples and Healthcare are underperforming.

This week's pronounced move into Growth stocks bodes well for a continuation rally however, news surrounding the debt ceiling will drive near term sentiment. We're anticipating a resolution - as the situation has been resolved the last 8 times we've hit the debt ceiling - and today we're adding growth stocks from our Watch List in anticipation.



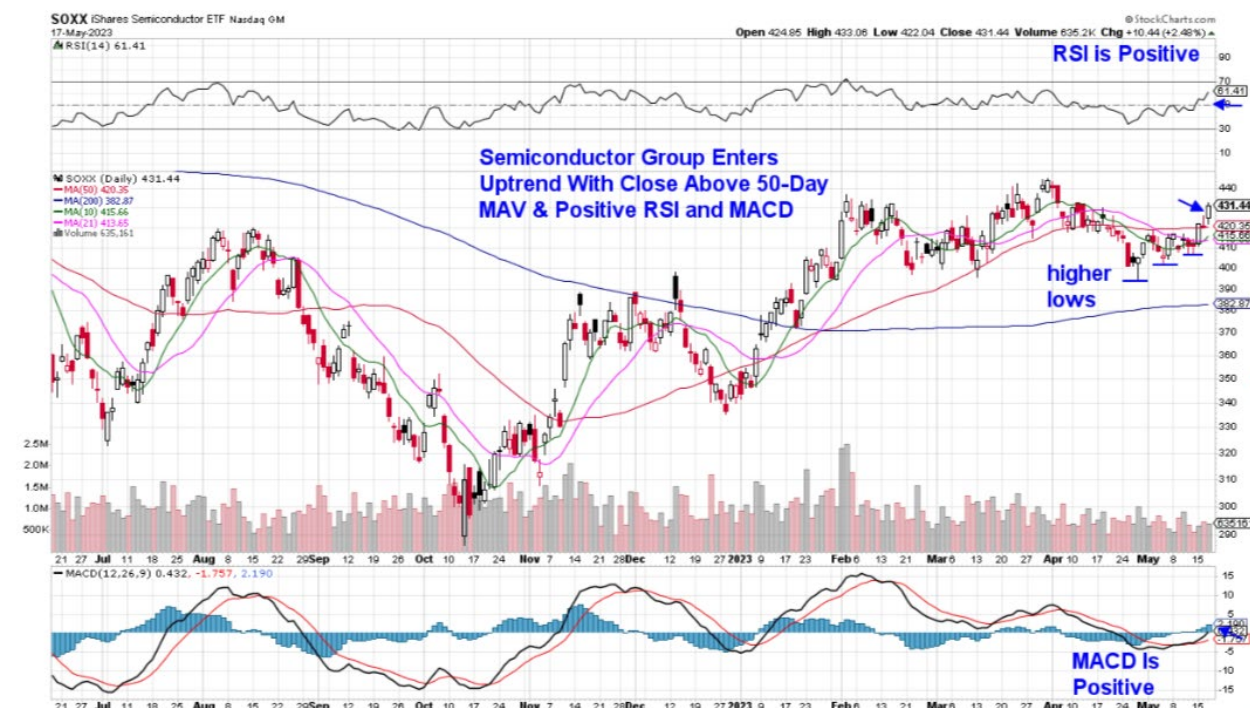
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Midweek Report

Among stocks on our List, Nvidia (**NVDA**) has been a top performer with a 6.5% rally that's pushed this stock above its recent trading range and into a buy zone. The heavy volume breakout occurred today and pushed the MACD into a bullish crossover. The stock can be bought in the \$291 area which is its 5-day moving average.

We're adding Broadcom (**AVGO**) and Axcelis Technologies (**ACLS**) to our Suggested Holdings List after both stocks posted a base breakout today on above heavy volume. Their gains pushed the MACDs into positive territory as well, which confirms the beginning of a new uptrend. Both stocks can be bought on any pullback to their 5-day moving average.

This week's sharp rally in Semiconductor stocks has pushed the group into an uptrend with SOXX now above its 50-day moving average with the RSI now in positive territory.





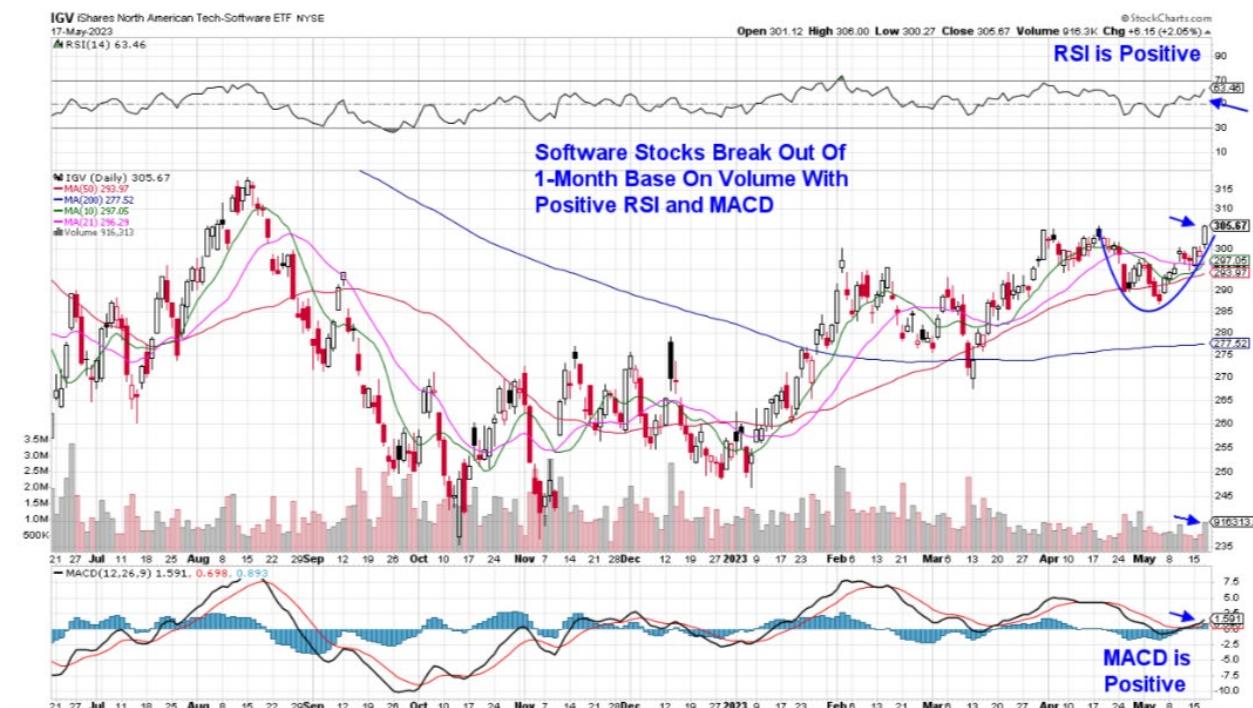
THE MEM EDGE

Midweek Report

Software stocks are also in a bullish position with the group posting a 1-month base breakout on high volume today. Among names on our List Datadog (DDOG) remains in a confirmed uptrend following this week's 4.6% rally.

Today's volume in DDOG was below average and may signal a near term pause given the stock's outperformance since reporting earnings earlier this month. The weekly chart is quite compelling however with a newly positive RSI which points to further upside longer term. We'd be a buyer of DDOG on a pullback to its 5-day moving average in the \$88 range.

Uber (UBER) has underperformed for the week and the stock can be held as it continues to digest its outsized gains after reporting above estimated earnings earlier this month. A negative MACD crossover on the daily chart would signal a pause in the stocks possible near term advance.





THE MEM EDGE

Midweek Report

We're adding Software company Salesforce (**CRM**) to our Suggested Holdings List after today's rally pushed the stock out of a flag formation on above average volume. The stock can be bought on a pullback to its 5-day moving average in the \$204 range.

Apple (**AAPL**) is flat for the week amid a lack of news. The stock bullishly closed above its 10-day moving average today and a move above its recent high last week would put the stock into a buy zone.

Alphabet (**GOOGL**) remains in a confirmed uptrend however with a 2.8% rally that has pushed the RSI into an oversold position on its daily chart. The weekly chart shows that longer term, the stock has further upside with the MACD just entering positive territory. This is bullish for the longer term prospects. Near term, we'd be a buyer on a pullback to the \$118 range at its 5-day moving average.

Housing stocks received a boost this week after housing starts increased amid news of a rise in home builders confidence. While the group is flat for the week, DR Horton (**DHI**) broke out of its 3-week flat base on volume and is in a strong buy zone with the MACD posting a bullish crossover (black line up through the red).

KB Home (**KBH**) which has been outperforming, is flat for the week after a pullback to its 10-day moving average. The stock is in a buy zone after today's close above its 5-day moving average.

Healthcare stocks are pulling back this week with Merck (**MRK**) from our List being no exception. In turn, the RSI is now in



THE MEM EDGE

Midweek Report

negative territory however, positive price action in MRK into the close has us keeping the stock on our List as buyers stepped in on today's drop. A move back above its shorter term 10 and 21-day moving average would be positive.

Intuitive Surgical (**ISRG**) is close to a move above its recent high of \$308.5 which would put the stock into a buy zone.

Walmart (**WMT**) is due to report earnings before the market opens and the company's quarterly results as well as management's guidance going forward has historically impacted other Retailers. A rally back above its 10 and 21-day moving average on any positive news would put WMT into a buy zone.

Today's positive price action occurred on volume that was above recent levels which points to accumulation characteristics. A move above the 4200 level on volume would be even more constructive as would a continued broadening out to newer areas such as Semiconductors and Software.

Tomorrow, weekly employment numbers will be closely watched as interest fears have receded in light of other news however, they remain in place. On Friday, comments from Fed Chair Powell who's on a panel with former Fed Chair Bernacke may sway the markets.

We anticipate adding additional stocks to our Suggested Holdings List should the currently positive price action in the markets remain in place.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report