



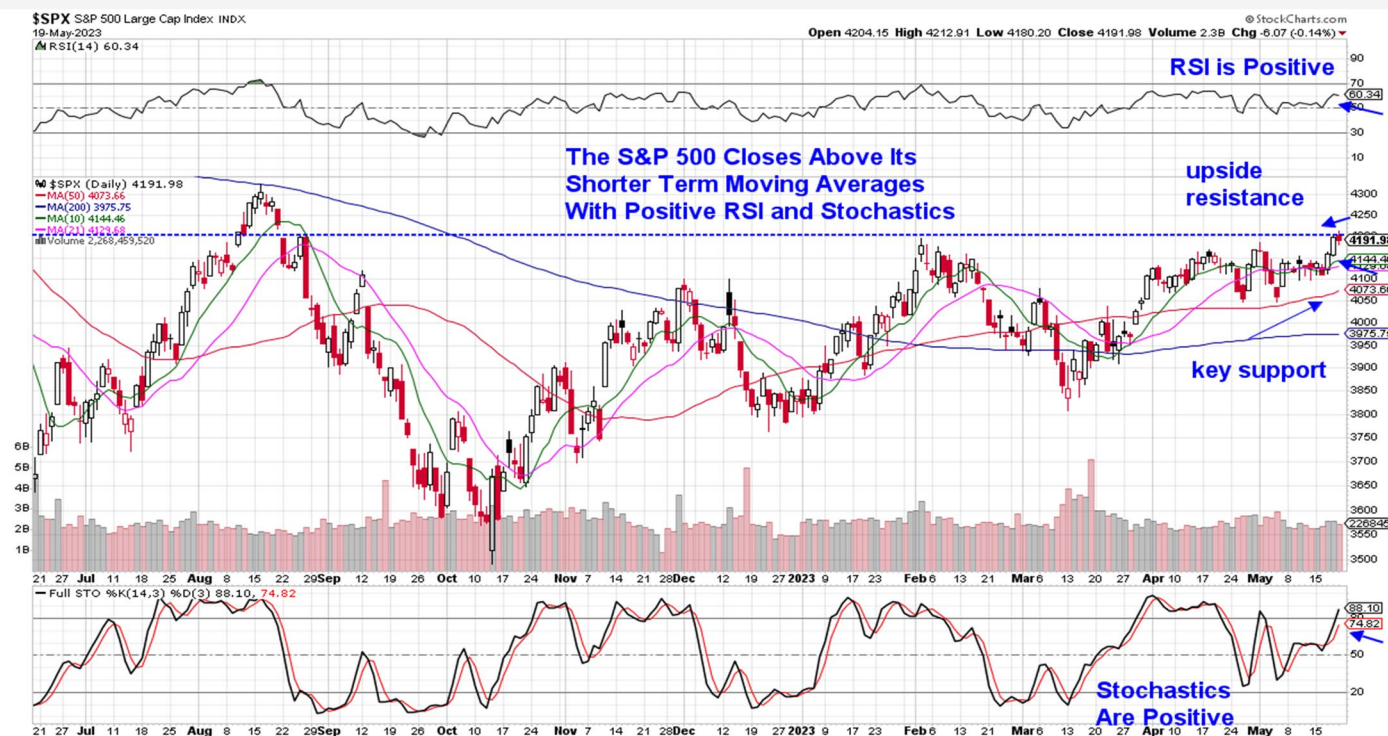
# THE MEM EDGE

May 21, 2023 / Weekly Report

## This Week's Highlights

- Retail Sales Rise At Slowest YOY Pace Since 2020
- 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
- U.S Jobless Claims Fall With Fed Chair Powell Hinting At Potential Rate Pause
- Flash Services and Manufacturing PMI Next Week
- April Core Personal Consumption Expenditures PCE April Data
- Fed Meeting Notes Released Wednesday & Q1 GDP Friday

### Daily Chart of S&P 500



The S&P 500 gained 1.7% last week in a move that puts this Index further above its shorter term moving averages with the RSI and Stochastics remaining in positive territory. This keeps the near term uptrend in place.

The S&P 500 closed the week just below its key area of upside resistance at the 4200 level. A sustained move above 4200 - which would be several days to a week - would provide more confidence that the current

uptrend will remain in place. Should we experience a pullback, the 10-day moving average is the first area of possible support and that's 1.1% away.

The Nasdaq fared quite a bit better with a 3% rally for the week that was led by a sharp outperformance in select mega cap FAANMG names. Semiconductor stocks also posted strong gains as did Software stocks.

Technology was the leading sector last week with Communication Services and Consumer Discretionary

outperforming as well. While each area was led higher due to heavyweight names in their sector, gains elsewhere in these sectors also provided a boost, as better than expected economic and earnings data gave Growth stocks a boost.

Financial stocks also traded higher last week amid a rally in Regional banks following news from Western Alliance Bancorp (**WAL**) who reported growth in deposits. The Regional Banking ETF gained 7.8% for the week however, the group has more work to do before reversing its current downtrend. (using KRE)

Staples, Healthcare and Utilities sectors all underperformed as interest for more defensive stocks that can often act as a safer haven receded.

The Nasdaq's healthy rally last week puts this Index closer to its August '22 highs of 13200 which is the next area of possible upside resistance and is 4% away. (see chart below)

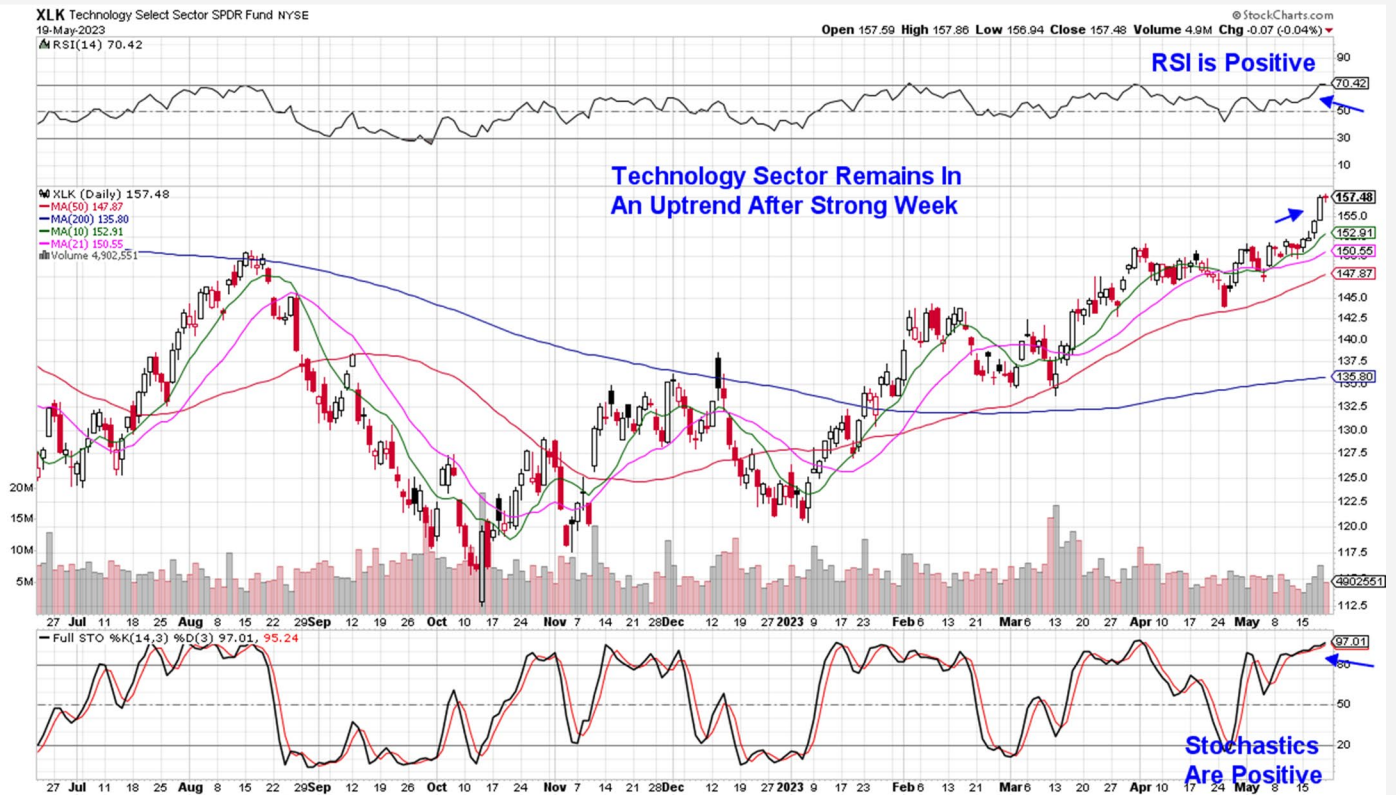
The gains also put the RSI for the Nasdaq close to an overbought position as well. This overbought condition preceded the pullbacks in February as well as the August decline of last year. Both declining periods were brought on by Fed fears due to hotter than expected economic and inflation data.

Next Friday, core Personal Consumption Expenditures (**PCE**) data for April will be released. This gauge for inflation is a closely watched metric for the Federal Reserve. Economic data will be released earlier in the week with the Services and Manufacturing PMI numbers.

Equally impactful next week will be reports regarding the standoff surrounding a needed increase in the debt ceiling, with the June 1st deadline getting closer.



## Technology Select Sector SPDR Fund (XLK)



### Technology Sector Is Top Performing

The Tech sector outpaced the markets last week with a 4.3% rally that was led by Semiconductor and Software stocks which sprung to life. Both areas are highly sensitive to sentiment surrounding economic growth and last week's data pointed to an economy that's on firm footing as did Thursday's employment data.

Also boosting select Semi and Software stocks was analyst upgrades as well as stronger than expected earnings reports.

Nvidia (**NVDA**) is a prime example as the stock had already been outperforming before multiple Wall Street upgrades on Thursday due to their release of a new family of AI powered GPUs.

NVDA sprinted 10% higher for the week in a move that puts the stock well above its 5-day moving average with the RSI in an overbought position. Last week's high volume on rally days coupled with a MACD that's relatively early in its upside advance points to further near-term upside.

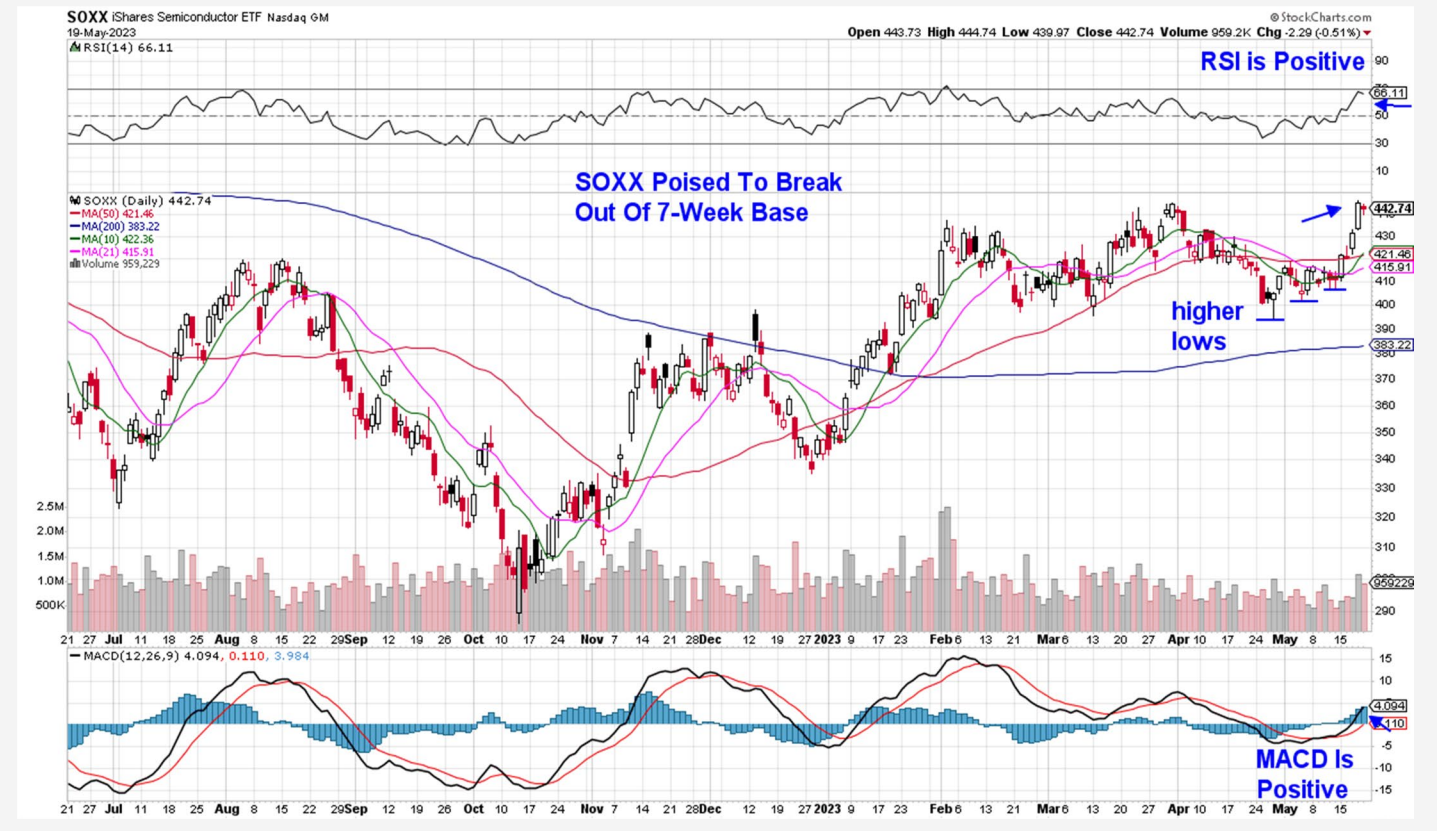
However, the company is due to report earnings after the market closes on Wednesday, and we would not be a buyer going into the report. NVDA is priced for perfection given its big year to date advance, and any stumble in their earnings or outlook could result in a pullback.

Recently added Broadcom (**AVGO**) advanced 4% higher from its Wednesday flat base breakout. The company is in the process of purchasing VMware (**VMW**) which would expand AVGO's software infrastructure portfolio. Last week's sharp advance puts the stock 3% above its 5-day moving average with an overbought RSI. We'd be a buyer of this 2.7% yielder on any pullback to the \$662 range.

Axcelis Technology (**ACLS**) is another chip stock which was added on Wednesday following its cup with handle base breakout at \$136. The company reported better than expected 1st quarter results earlier this month with management guiding growth estimates higher for this year. ACLS can be bought in the \$137 range at its 5-day moving average.



## Daily Chart of iShares Semiconductor ETF (SOXX)



Software stocks gained over 5% last week led by gains in beaten down stocks that have reported strong earnings earlier this month. Datadog (**DDOG**) from our List is a prime example with the stock posting a 5.5% rally on the heels of a strong earnings report on May 5th.

In addition to reporting above estimates, management's increased growth guidance going forward gave Wall Street guidance that the company's worst may be behind them. Last week's gain pushed DDOG out of a 14-week base. While the stock's RSI is in an overbought position, the confirmed uptrend points to further near term upside with Friday's pullback putting the stock into a buy zone.

Salesforce (**CRM**) which we added on Wednesday is in a strong buy zone following a Friday pullback. The stock had advanced to a near term high on Thursday following 2 Wall Street price target upgrades to as high as \$250. The company is due to report earnings in less than 2 weeks and the improved outlook from analysts is a positive sign going into the release.

Uber Technologies (**UBER**) posted a 2-week base breakout on Thursday following the company's annual

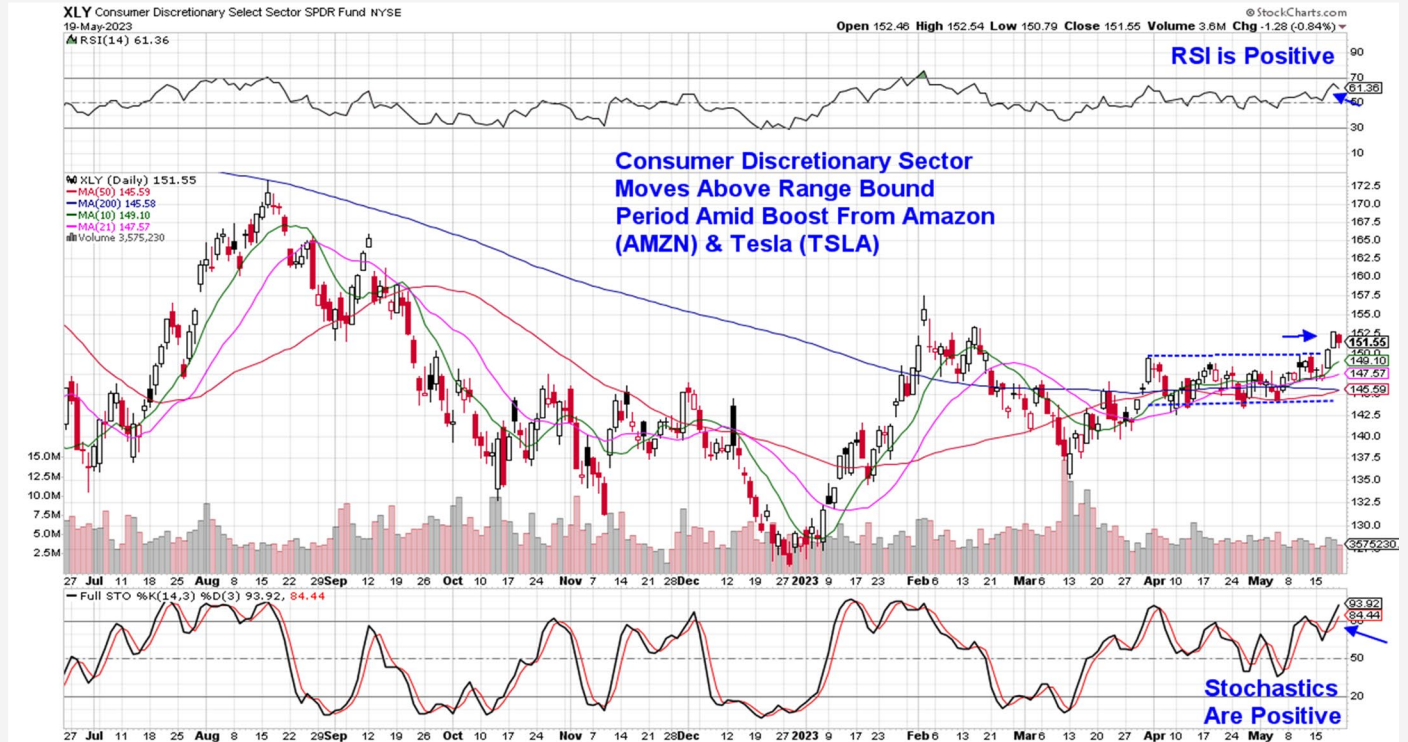
product showcase where they presented new products and features that are expected to grow revenues. UBER is in a strong buy zone and can be bought at current levels.

Microsoft (**MSFT**) is in a strong buy zone following Thursday's rally which pushed the stock out of a 3-week flat base. The gain occurred following news that U.S. consumer spending on video gaming reached \$4.1B in April. MSFT's Xbox accounts for 8% of the company's total revenues.

Apple (**AAPL**) also experienced a base breakout on Thursday with above average volume that points to further upside. The rally occurred amid news that OpenAI has launched a ChatGPT app for the iPhone which is anticipated to enhance sales. AAPL is in a strong buy zone.

The Technology sector's outperformance last week has put the RSI into an overbought position on its daily chart. Historically, this has signaled a slight pullback and given its current uptrend, we'd be a buyer on any pullback among the stocks on our List.

## Consumer Discretionary Select Sector SPDR Fund (XLY)



### Consumer Discretionary Sector Breaks Out

Consumer Discretionary stocks outperformed last week after heavyweight stocks Amazon (**AMZN**) and Tesla (**TSLA**) posted outsized gains. A rally in travel related stocks also gave this sector a boost.

In contrast, Retail stocks fared poorly with an underperformance for the week that was led by a decline in big box stores such as Target (**TGT**) which fell after reporting a decline in revenues due to increased theft issues. Weak Retail Sales data also hurt this group.

Walmart (**WMT**) fell 2% despite reporting earnings ahead of estimates with management guiding growth estimates higher for the remainder of the year. WMT's decline was on above average volume with the RSI now in negative territory on its daily chart. We would not be a buyer at this time but instead would wait for a close above its 10-day moving average.

Next week, Big Box retailers Costco (**COST**) and BJ's Wholesale are due to report earnings and their results as well as management's outlook is anticipated to impact the Retail group.

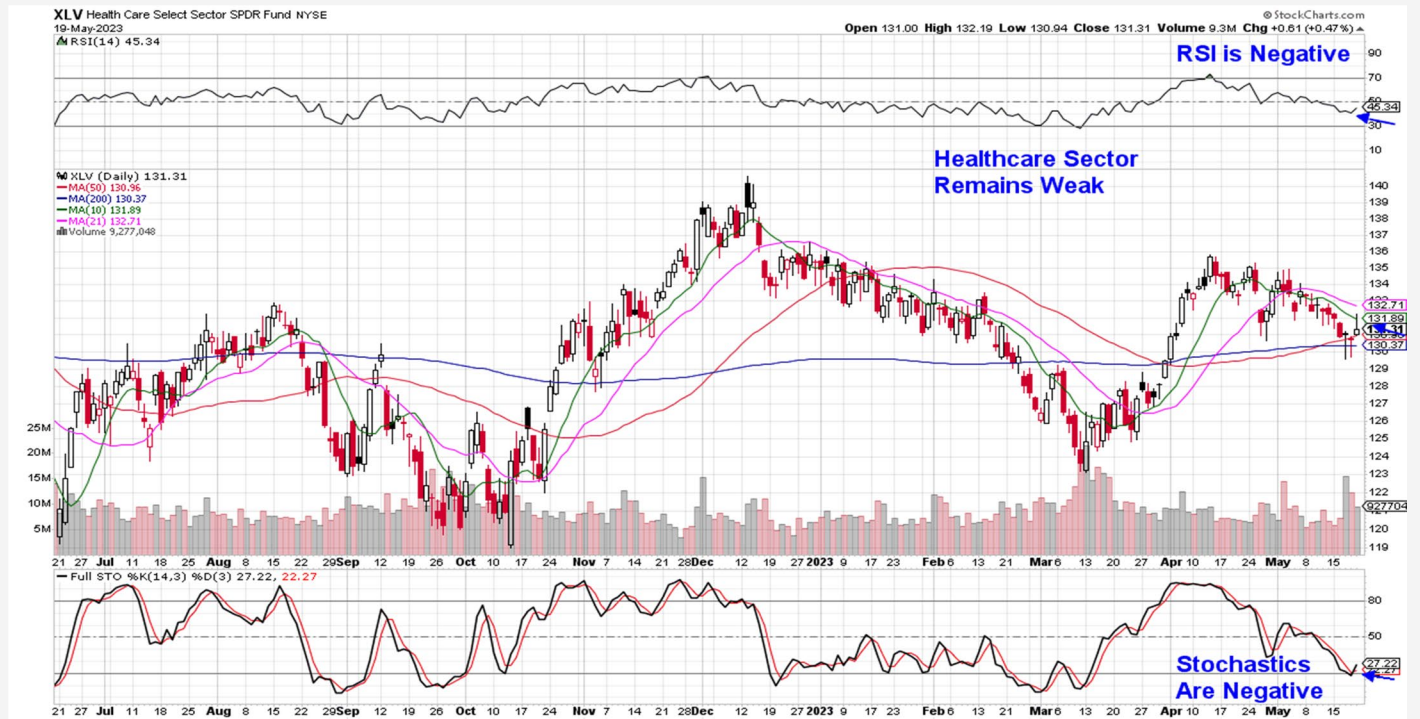
Last week's positive housing starts and homebuilders confidence data pushed stocks in this group higher until an increase in interest rates caused a pullback on Friday as mortgage rates rose.

DR Horton (**DHI**) pulled back to its 10-day moving average where it found support in a positive move that puts the stock into a buy zone. KB Home (**KBH**) closed the week below its 10-day moving average and a close back above this moving average would put the stock into a buy zone.

Each of the Restaurant stocks on our List ended the week flat however, they are all in strong buy zones. McDonald's (**MCD**) ended the week back above its 10-day moving average after a 1-week pullback while Wendy's (**WEN**) found support at its 10-day mav after last week's consolidation period.

Wingstop (**WING**) traded in a tight range for the week before a Friday rally pushed the stock back above its 10-day moving average. The stock received a Wall Street upgrade due to the company's store expansion plans and strong sales momentum.

## Health Care Select Sector SPDR Fund (XLV)



### Healthcare Sector Among Weaker Areas

Healthcare stocks pulled back again last week led by select Pharmaceutical and Biotech stocks. A move away from more defensive areas also weakened this sector.

There were bright spots in this area however such as Intuitive Surgical (**ISRG**) which broke out of its recent trading range and to a near term high following its 2.7% rally. The gains followed a Wall Street upgrade that cited the company's ability to maintain double digit revenues over the long term due to leadership in the robotic surgery field. ISRG is in a strong buy zone.

Astrazeneca (**AZN**) was flat for the week as the stock continues to consolidate. At this time, the stock can be held with a move back above its shorter term moving averages putting it into a buy zone. Should the stock post another flat week, it would be constructive as a 3 weeks tight formation often results in near term upside.

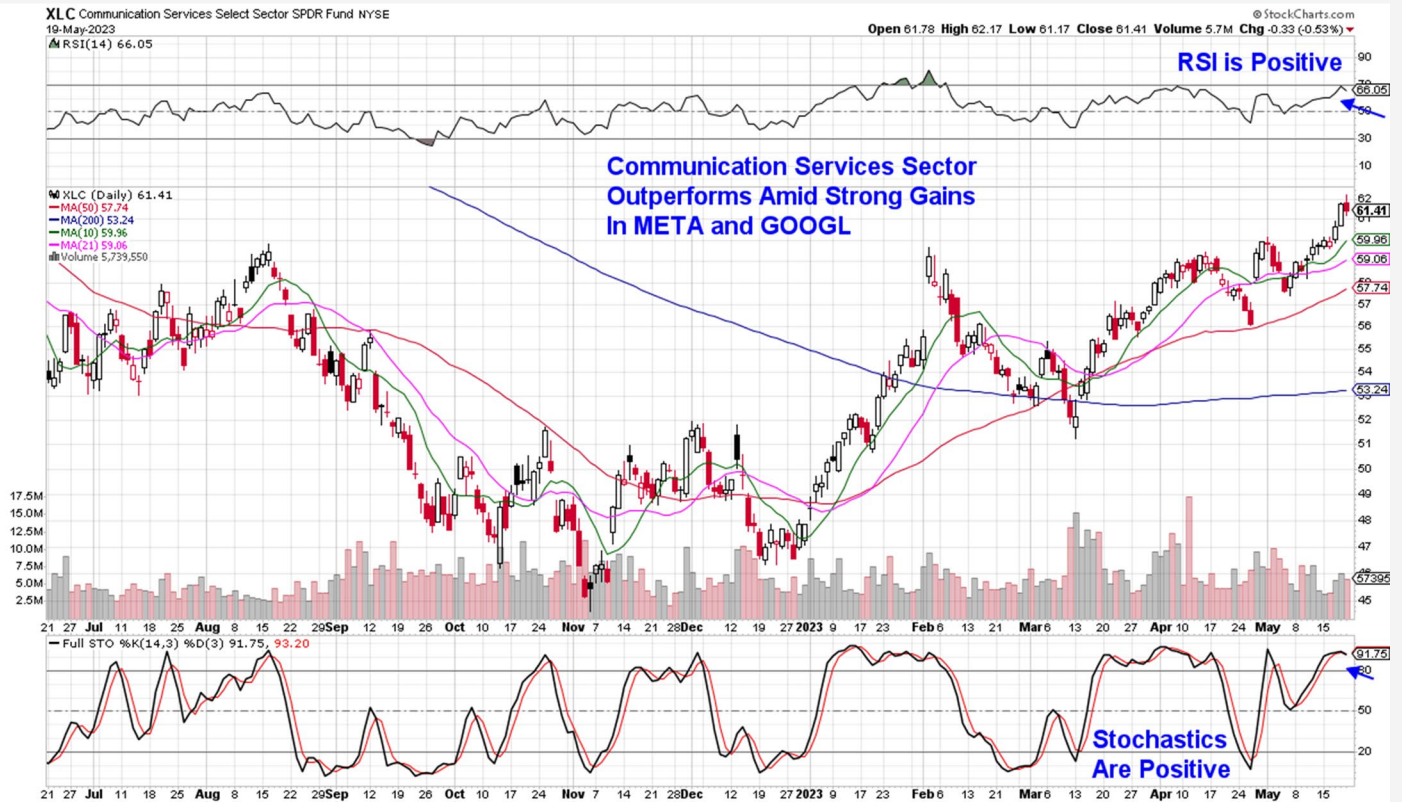
Biogen (**BIIB**) drifted lower for the week where it found support at its upward trending 21-day moving average. A Friday rally put the stock close to closing above its 10-day moving average and a move above this mav at \$310 would put the stock in a strong buy zone.

Merck (**MRK**) experienced a similar pullback however, it traded below its 21-day moving average before a Friday rally had it almost regaining this mav. A move back above its shorter term 10 and 21-day moving averages would put MRK into a strong buy zone.

While Healthcare stocks were lower for the week, the sector did show signs of stabilizing midweek with a Friday rally that puts it closer to a possible downtrend reversal. We'll keep you alerted to any bullish shift.



## Communication Services Select Sector SPDR Fund (XLC)



### Communication Services Sector Gets Mega Cap Boost

Both heavyweight names in this group posted a strong week amid positive AI related news. Meta Platforms (**META**) shared new details on their AI projects including an AI training accelerator which had analysts raising their estimates.

Alphabet (**GOOGL**) from our List gained 4.5% for the week amid news that was topped off on Friday by Samsung's decision to keep Google as the default search engine for their devices. This is big news as it

was reported last month that Samsung was considering a switch to Microsoft.

GOOGL's sharp advance over the past 2 weeks has put the RSI into an overbought position with the stock now 1.5% above its 10-day moving average. While the weekly chart points to further upside for the longer term, the daily chart signals that a pullback is in order. We'd be a buyer in the \$120 range at its 5-day moving average.

# Summary

Last week's rally was sparked by news Wednesday of progress being made on debt ceiling talks; however, the week ended with a pullback as any progress stalled. As of now, no debt limit deal has been made and we're poised to open tomorrow with a pullback.

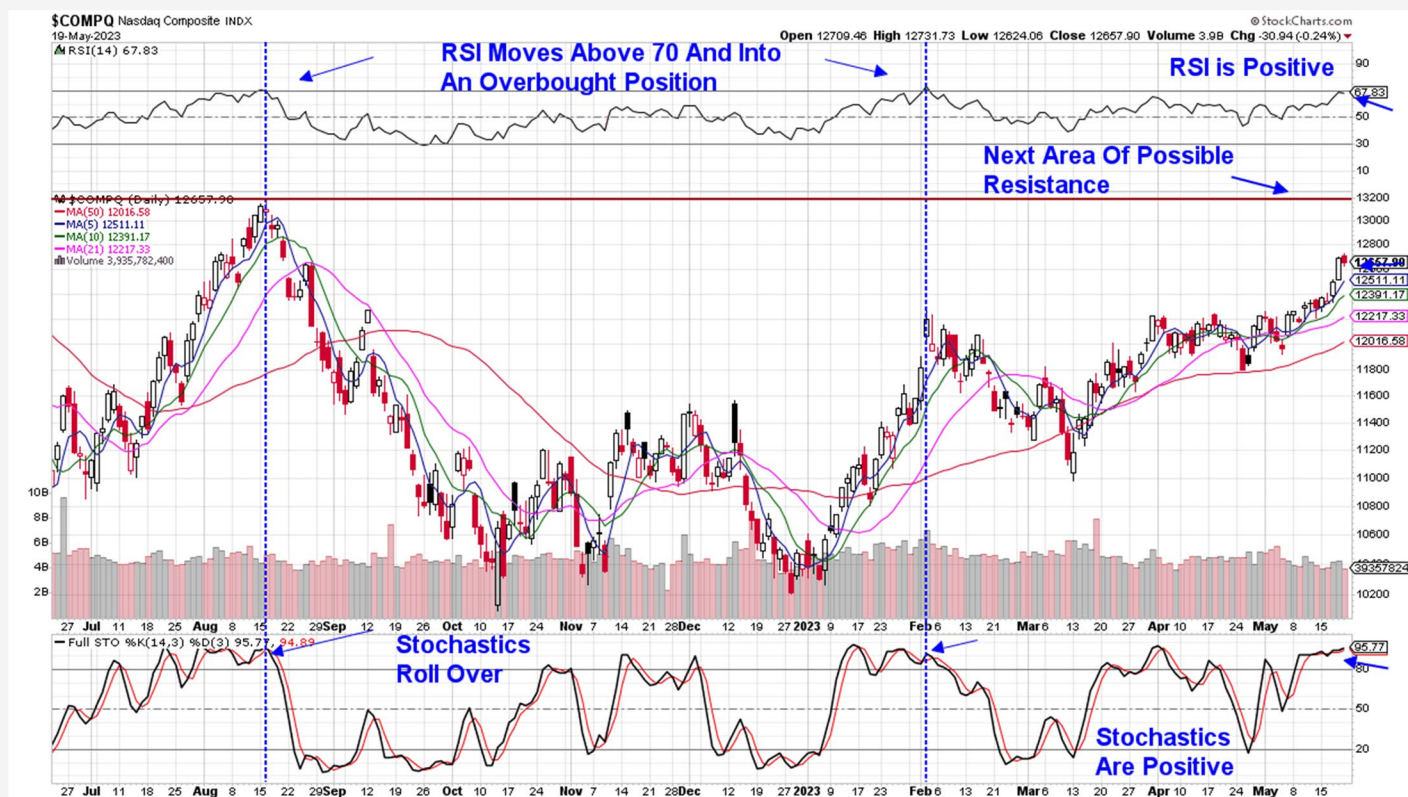
Overall, the broader market's uptrend has us constructive on the near term prospects for the markets however, it's with a cautious bias as we head into next week's debt ceiling debate which remains stalled, key inflation data on Friday and Nvidia's earnings which may impact some of the faster moving stocks involved with AI.

At this time, we'd be a buyer on any pullback to key support (10 or 21-day moving averages) among stocks on our Suggested Holdings list - provided that the RSI remains in positive territory on the daily chart. Light volume on any selling would also be a positive characteristic as would continued strength in the underlying industry group.

With earnings season mostly behind us, it must be noted that 78% of companies reported above estimates which is above the 5 and 10-year average. (per Factset). In addition, the use of the word "recession" during earnings calls declined for the third straight quarter.

Reduced recession fears amid generally healthy economic reports is constructive for the longer term prospects for the markets as it supports the prospects of a soft landing scenario later this year.

## Daily Chart of NASDAQ Composite (\$COMPQ)





# MEM Edge Report Suggested Holdings

*Stocks With Emerging Leadership Characteristics*

\$ = Earnings Due		Buy Zone		Strong Buy		Buy on Pullback		Removed From List	
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SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	EARNINGS DUE DATE	INDUSTRY GROUP
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CONSUMER DISCRETIONARY						
DHI	DR HORTON	\$109.80	4/30/2023	0.5%	July 20	Home Building
KBH	K B Home	\$41.70	4/23/2023	8.0%	June 21	Home Building
MCD	McDonalds	\$271.30	3/26/2023	10.5%	July 25	Restaurant
WING	Wingstop Inc.	\$157.80	1/29/2023	29.0%	Aug 3	Restaurant
WEN	Wendy's	\$23.40	5/14/2023	0.0%	Aug 9	Restaurant
WMT	Walmart	\$147.50	4/2/2023	2.5%	Aug 17	Retail

COMMUNICATION SERVICES						
GOOGL	Alphabet	\$108.80	4/16/2023	13.0%	July 25	Comm Services

HEALTHCARE						
AZN	AstraZeneca ADR	\$72.30	4/9/2023	4.0%	July 28	Pharmaceuticals
BIIB	Biogen	\$318.00	5/7/2023	-3.0%	July 20	Biotechnology
ISRG	Intuitive Surgical	\$300.22	4/23/2023	4.5%	July 20	Medical Equipment
MRK	Merck & Co.	\$115.30	4/16/2023	0.0%	Aug 1	Pharmaceuticals

TECHNOLOGY						
AAPL	Apple	\$160.30	3/26/2023	11.0%	Aug 3	Computer Hardware
ACLS	Axcelis Technologies	\$137.00	5/17/2023	3.0%	Aug 2	Semiconductors
AVGO	Broadcom	\$657.50	5/17/2023	4.0%	Jun 1	Semiconductors
CRM	Salesforce	\$209.40	5/17/2023	0.0%	May 31	Software
DDOG	Datadog	\$81.80	5/10/2023	7.0%	Aug 9	Software
MSFT	Microsoft	\$276.20	3/16/2023	12.5%	July 25	Software
UBER	Uber Technologies	\$437.80	5/7/2023	4.0%	Aug 1	Software
NVDA	Nvidia Corp	\$178.40	1/22/2023	59.0%	May 24	Semiconductors

# Glossary of Terms Used From Our Suggested Holdings

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## 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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