



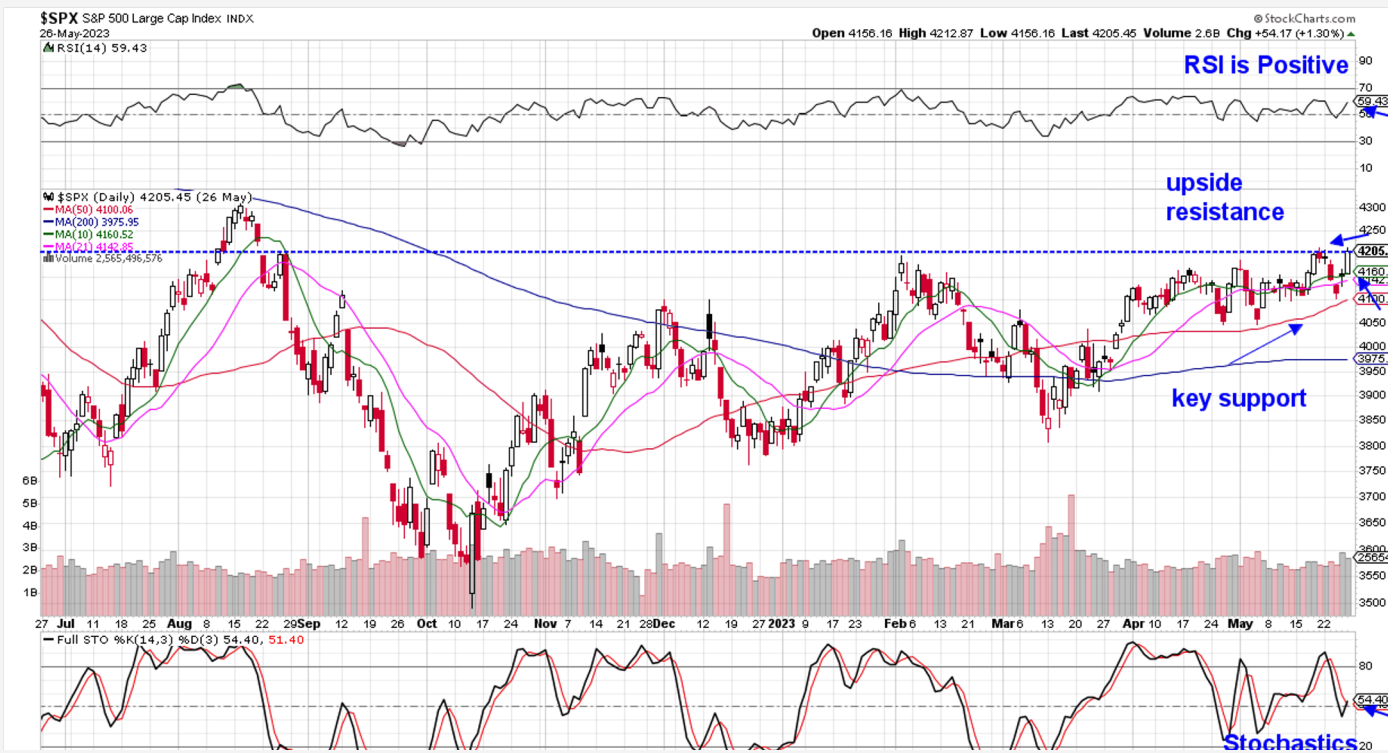
THE MEM EDGE

May 29, 2023 | Weekly Report

This Week's Highlights

- Debt Ceiling Compromise Is Struck
- Federal Reserve Undecided On Rate Hike Plan / Sees Mild Recession Beginning Q4
- Q1 GDP Revised Higher and April Durable Goods Orders Jump
- Core PCE Data Shows Inflation Remains Sticky
- May Employment Data Released Next Week
- NVDA Strong Earnings Move AI Related Stocks

Daily Chart of S&P 500



The S&P 500 closed the week up 0.3% in a move that was enough to push this Index just above key resistance at 4200. In addition, the RSI and Stochastics closed the week in positive territory in a move that keeps the near term uptrend in place. The close above resistance is constructive; however, we'd need to see the S&P 500 post additional gains above this key area to provide confidence that a more sustainable uptrend was in place.

There are several reasons for the need for further rally days above resistance. First is the uncertainty regarding economic growth as well as the potential of interest rate hikes due to incessantly high inflation. In addition, participation in last week's rally was limited to 2 sectors that outperformed while most areas were under selling pressure.

Should we experience a pullback in the markets, the 50-day moving average is the first area of possible support and at this time, it's 2.6% away.

The Nasdaq fared quite a bit better with a 2.5% gain that pushed this Index close to its August 2022 high which is the next area of possible upside resistance and is 1.5% away. With the RSI and Stochastics in positive territory, the near term uptrend remains in place.

That said, the Nasdaq closed 3% above its 10-day moving average with the RSI now in an overbought position. In the chart below, you'll see that a close above the 10-day mav in the 3%+ range has historically preceded a pullback to at least that key moving average.

Gains in the Nasdaq were led by a sharp advance in Semiconductor stocks after bellwether chip company Nvidia's strong earnings and growth outlook. Select Software stocks also outperformed as did the mega-cap FAANG stocks.

Both Indices began the week with a pullback that was spurred by the lack of a resolution to the debt ceiling issue as well as weak earnings reports from select Technology and Consumer Discretionary stocks. On Thursday, we saw a sharp rally among AI-related stocks

that soared after an earnings report from Nvidia (NVDA) that cited widespread demand for chips that focus on this area.

The rally in AI stocks continued into Friday while defensive areas of the market such as Healthcare, Consumer Staples and Utility stocks remained under selling pressure.

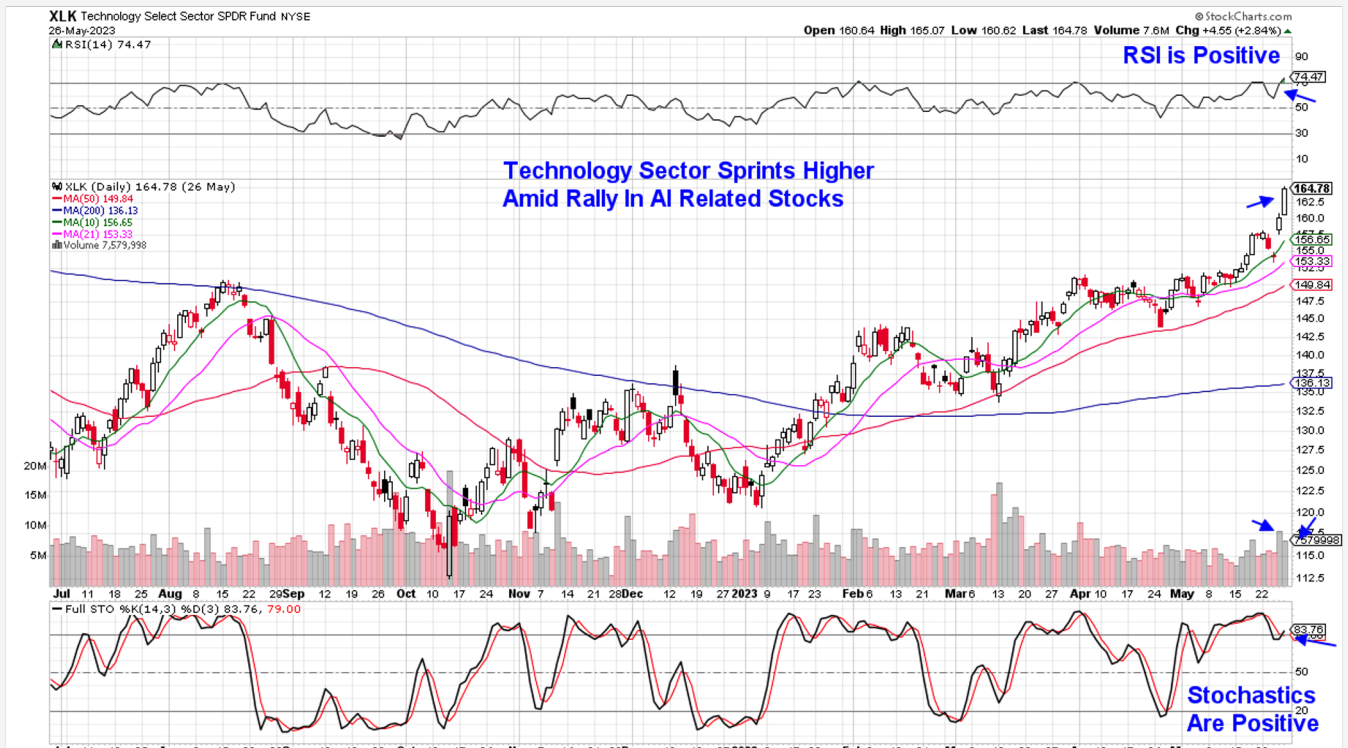
Overall, breadth in the markets deteriorated last week as only 3 of the 11 sectors closed the week in positive territory. Of those, the Consumer Discretionary sector was propped up by mega-cap names Tesla and Amazon while other retail areas came under selling pressure.

Yesterday, a debt ceiling compromise was reached with a House vote expected Wednesday with the Senate set to vote soon after. We anticipate the news will provide a boost for the markets tomorrow.

While the broader markets are in an uptrend, it's important to remain selective regarding any new positions which is reviewed below. In addition, caution is still advised as many of the crosscurrents we've been discussing remain in place.



Daily Chart of The Technology Select Sector SPDR Fund (XLK)



Technology Sector Gets AI Boost

The Technology sector gained 4.6% for the week in a move that puts this sector within striking distance of an all time high in price reached in December 2021.

Gains in Tech this month have been due to Semiconductor and Software stocks with both areas on track to post returns similar to their strong performances in January this year. (using SOXX and IGV). The primary difference is that this time, the biggest outperformers have been AI-related companies.

Each of the Semiconductor stocks on our List are involved in AI with Nvidia (**NVDA**) being the most well known. The stock gapped up 24.6% this week after announcing a revenue growth forecast well above Wall Street estimates due to high demand for their AI related GPU's and chips.

NVDA's advance puts the stock in an overbought position with the RSI above 90; however, the heavy volume on last week's rally points to further near term upside as money managers who were caught short accumulate positions. NVDA is in a strong buy zone. Particularly after CEO Huang unveiled a slew of new products including a robotics platform to help the company expand into industries beyond tech.

Other AI related Semis on our Suggested Holdings List gapped up in price last week as well, with Broadcom (**AVGO**) gaining 19% after analysts upgraded the company's growth outlook due to Nvidia's eye opening report.

According to a report from J P Morgan, AVGO has the 2nd highest revenue exposure to AI behind NVDA. It's 2-day rally put AVGO into an overbought position however again, the high volume points to further near-term upside.

Intermediate term, we anticipate a pullback in these stocks to their shorter term 5-day moving average as they consolidate - provided the markets remain in an uptrend.

For a longer term perspective, review our commentary below where we review similar stocks that have experienced historic gaps up in price following strong earnings. The review will provide helpful insights for formulating a longer-term investment plan. (stocks highlighted are GOOGL 2015, NVDA 2015, META 2023)

Axcelis (**ASCL**) from our List produces ion implantation equipment which is critical to the fabrication of Semi chips. Increased sales of AI related chips will boost ASCL's bottom line as well, and the stock is in a strong

buy zone following last week's 14% rally on heavy volume propelled the stock out of a flat base and to new highs.

This week we're adding Advanced Micro Devices (**AMD**) to our List after last week's gains pushed the stock out of a 13-month base on heavy volume. The company produces GPU's and other AI products with last week's gains also on the heels of the company's launch of a new lineup of processors for Google Chromebooks.

AMD is extended on its daily chart and while in a buy zone, intermediate term we anticipate a pullback as the stock is 11% above its 5-day moving average.

For each of the Semiconductor stocks on our List, we anticipate a short lived, near term move higher due to accumulation characteristics among AI related stocks followed by a consolidation phase.

Software stocks also received an AI-related boost with Microsoft (**MSFT**) from our List gaining 4.6% for the week in a move that has the stock extended above its 5-day moving average. A pullback to this level at \$322 would be an ideal buy point. MSFT's major investment in OpenAI runs on their Azure cloud computing platform and stands to benefit greatly from increased adoption of AI.

Elsewhere on our List, Salesforce (**CRM**) recovered from an early week pullback after a Wall Street upgrade to its price target pushed the stock higher on above average

volume. CRM can be bought on a pullback to its 5-day moving average at \$210.

Datadog (**DDOG**) posted a more modest 1% gain for the week amid a consolidation phase which is following a multi-week rally after reporting strong earnings and a positive outlook. DDOG can be held.

Uber Technologies (**UBER**) pulled back from a near-term high in price on Monday where it found support at its upward trending 21-day moving average. The stock is in a buy zone as it closed the week above its shorter term moving averages.

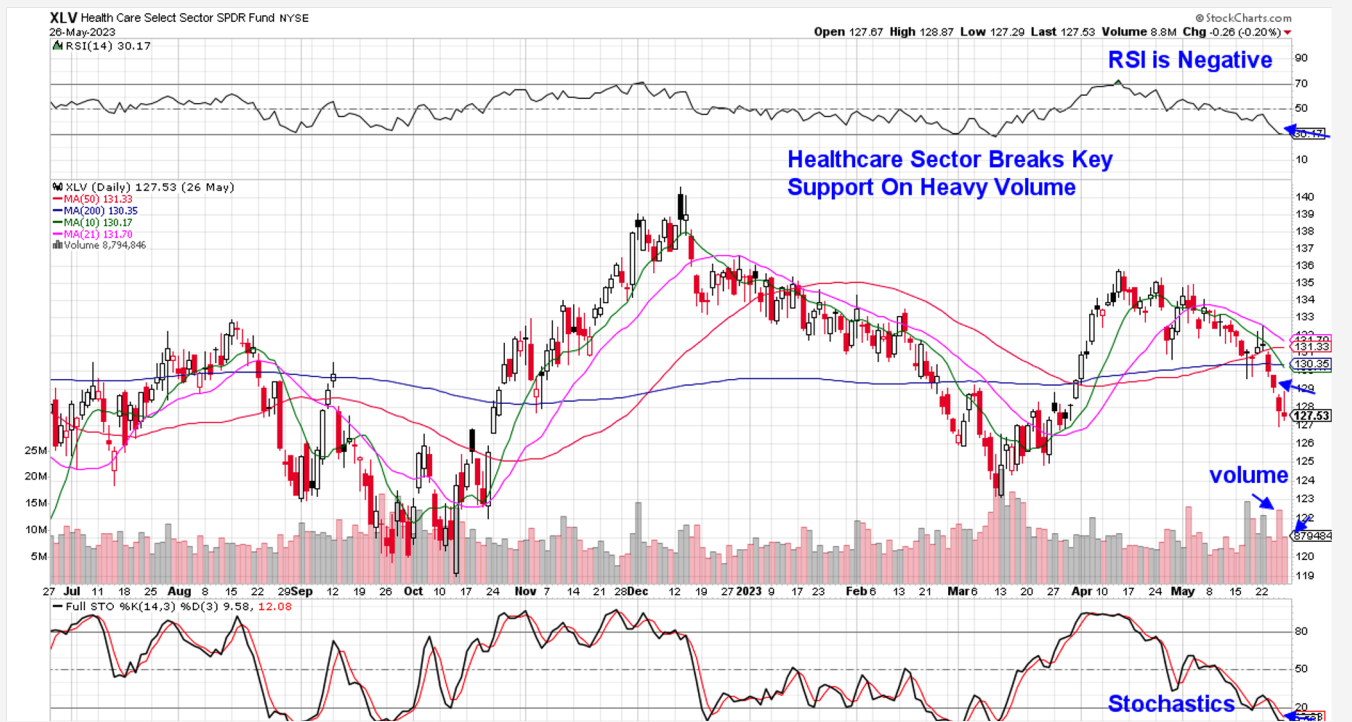
Apple (**AAPL**) pulled back to its 21-day moving average as well, before buyers came in and pushed the stock into a strong buy zone with a close above its 5 and 10-day moving averages. Wall Street is anticipating the release of Apple's mixed reality headset at their Worldwide Developers Conference on June 5th which may give the stock a push higher.

The Technology sector is now in an overbought position after two successive weeks of outperformance. While AI exuberance may continue to buoy this sector, earnings from select Software and Semiconductor stocks next week may temper the upbeat mood.

Going forward, hints of higher interest rates would be a negative for this sector and next week's key employment data will be closely watched. Longer term however, the Tech sector is setting up to continue to be a leadership area for the markets.



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



Healthcare Sector Breaks Below Key Support

Healthcare stocks were among the worst performing last week with a decline on above average volume that points to the further near term downside.

Selling in this sector has intensified amid groundbreaking changes in how Medicare buys drugs. The change is due to the Inflation Reduction Act or IRA bill that was passed late last year and is aimed at reducing costs for drugs. The impact has already begun as the government rebate for 30 drugs was recently reduced.

The new reduced pricing does not directly impact healthcare companies on our List; however, the uncertainty surrounding future adjustments has pushed these stocks lower. Merck (**MRK**) fell 3.8% last week after the company's CFO recently spoke of pricing concerns going forward for drugs such as their cornerstone cancer treatment Keytruda.

Last week's break below its 50-day moving average has us removing Merck (MRK) from our List as the RSI and MACD are now in negative territory.

Astrazeneca (**AZN**) was able to recover from a pullback below its 50-day moving average after reporting positive results regarding clinical trials for several major drugs. AZN can be held.

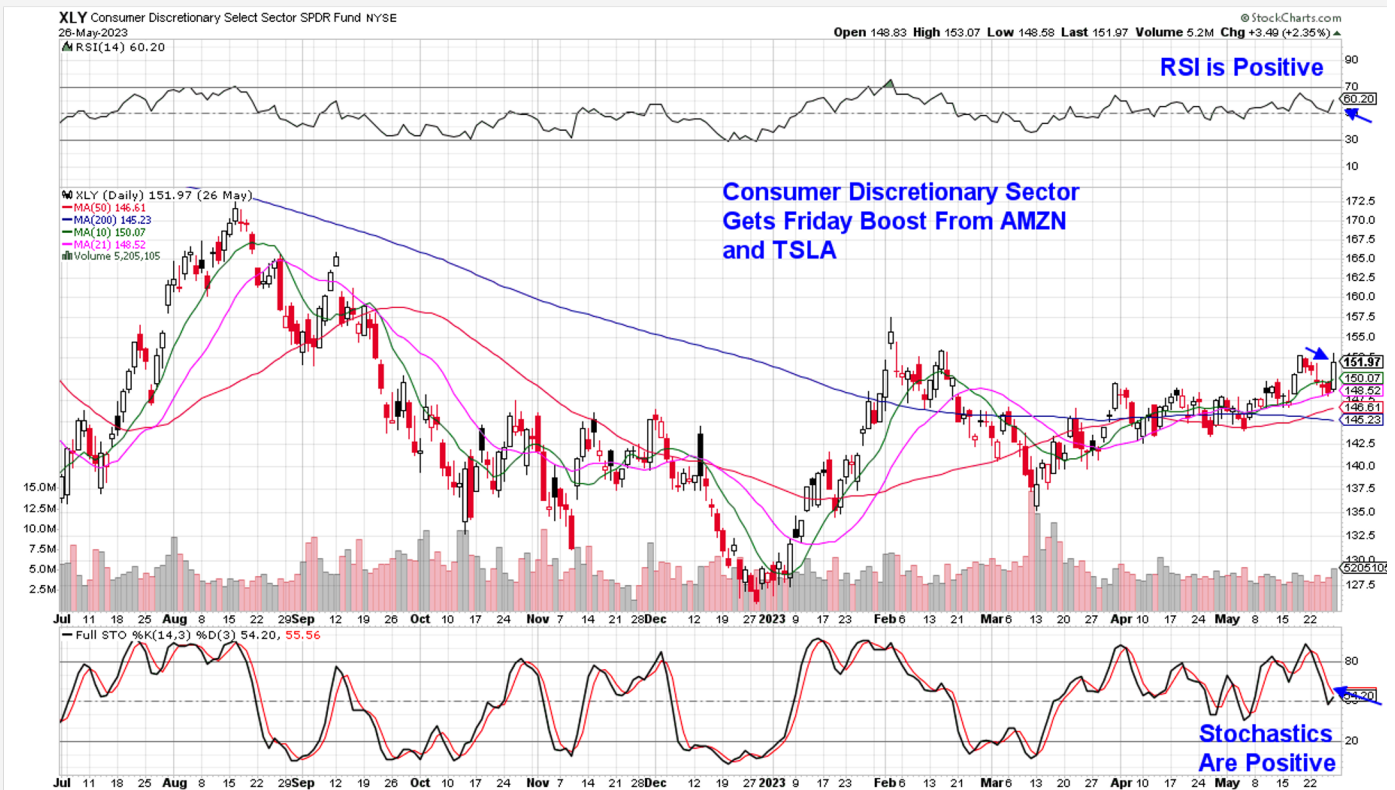
Intuitive Surgical (**ISRG**) fared better than its peers with a 2% decline for the week. The stock recovered from a Tuesday pullback to close the week just below its 10-day moving average. The stock can be bought on a move above its 5-day moving average at \$306.

Biogen (**BIIB**) pulled back as well, and the stock was able to find support at its 50-day moving average. While the RSI is in negative territory, the MACD has remained positive and is trending toward a possible positive crossover. (black line up through the red). BIIB can be bought once the stock closes above its shorter term 10 and 21-day moving averages.

While the IRA bill has already begun to impact drug companies that are facing lower rebates from government funded healthcare insurance, larger impacts are in store and will not be known until Medicare negotiations begin this September. The uncertainty has hit Biotech and Pharmaceutical companies which are now in a downtrend.

The prospects of reduced drug pricing being mandated by a non-negotiable entity such as the U.S. Government will continue to put a cloud over Pharmaceutical and Biotech companies. We would underweight stocks in this sector.

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



Consumer Discretionary Sector Inline With Markets

A late week rally in heavyweights Tesla (**TSLA**) and Amazon (**AMZN**) put the Consumer Discretionary sector higher by 0.3% for the week. Beyond these stocks, it was a tough period elsewhere with footwear, clothing and restaurant stocks all down over 4% while travel and leisure related stocks fell 3%.

The decline in these consumer facing stocks is occurring amid a string of weak earnings and/or outlooks from Retailers with commentary from these companies becoming even more downbeat.

Some of the largest retailers have highlighted the shift among consumers from discretionary items to lower-margin essential ones with companies such as Target (**TGT**) reporting a slowdown in sales trends over the past 2 months. Costco (**COST**) reported results last week that were below estimates.

Another challenge has been persistently high rates of inflation while theft has also been cited as a cause for slower growth.

Despite these challenges, Walmart (**WMT**) raised their sales forecast for 2023 however, the stock has not remained immune to selling pressures elsewhere. Last

week, the stock fell 2.5% and is now below its 50-day moving average. In addition, the RSI and MACD are now in negative territory on the daily chart.

We're removing WMT from our Suggested Holdings List however of note, the longer-term weekly chart remains intact as the stock closed above its 10-week moving average with its MACD and RSI in positive territory. Longer term investors can remain with the stock.

Wingstop (**WING**) pulled back last week and closed below its 10 and 21-day moving averages. It's tight trading range over the past 3 weeks has been on light volume and can be viewed positive. A close above its recent high of \$210 on volume would put WING into a strong buy zone.

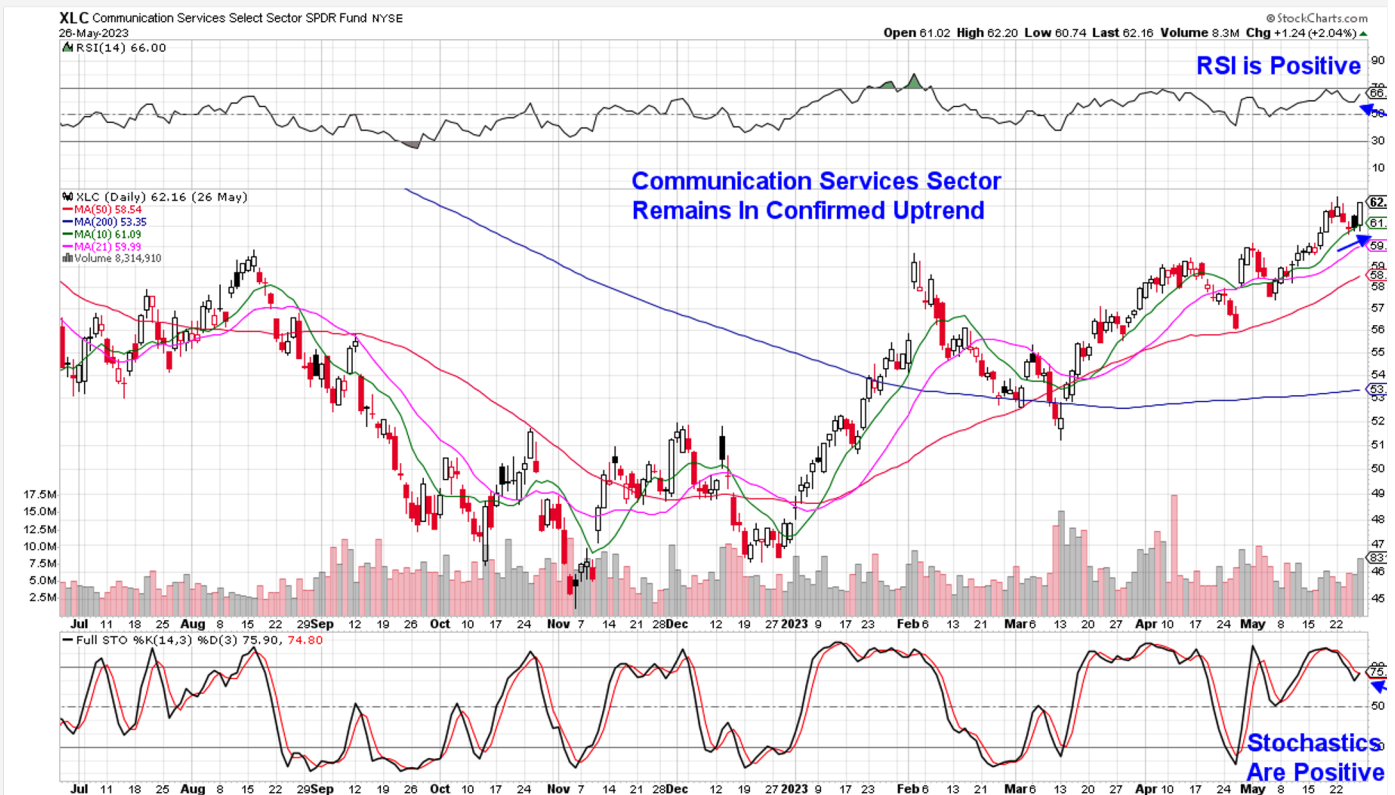
Housing stocks pulled back last week as mortgage rates continue to inch higher. Mortgage rates are most impacted by inflation and Friday's news of higher than expected PCE data shows that inflation remains high.

Not all of the news is poor for this group however with Toll Brothers (**TOL**) gapping up in price after reporting strong earnings while raising estimates quite a bit higher going forward.

KB Home (**KBH**) from our list ended the week with a rally that puts the stock close to regaining its 10 and 21-day moving averages. A close above its 10-day moving average - which is 0.5% away - would put the stock into a buy zone.

Next week, housing stock Hovnanian Enterprises (**HOV**) is due to report earnings and results may impact other names in the home building group.

Daily Chart of Communication Services Select Sector SPDR Fund (XLC)



Communication Services Sector Remains In Confirmed Uptrend

Internet related stocks continue to buoy this sector with last week's outperformance in heavyweight names Alphabet (**GOOGL**) and Netflix (**NFLX**) helping to keep this group in an uptrend.

GOOGL from our List received several Wall Street upgrades last week due to launching a new generative AI capacity in search as well as experimenting with placing ads directly in AI chatbot.

The stock is in a strong buy zone as it finds support above its upward trending 5-day moving average. Last week's analyst upgrades were due mainly to Alphabet's advanced involvement in AI related projects which are expected to drive already strong revenues higher.

Summary

Last week's action in the markets was mixed given that we began on a weak note which was reversed following a stunning earnings report from leading Semiconductor stock Nvidia (NVDA). The ensuing rally on Thursday and Friday was strong but selective, as AI-related stocks received a considerable boost while other areas sold off or generally underperformed.

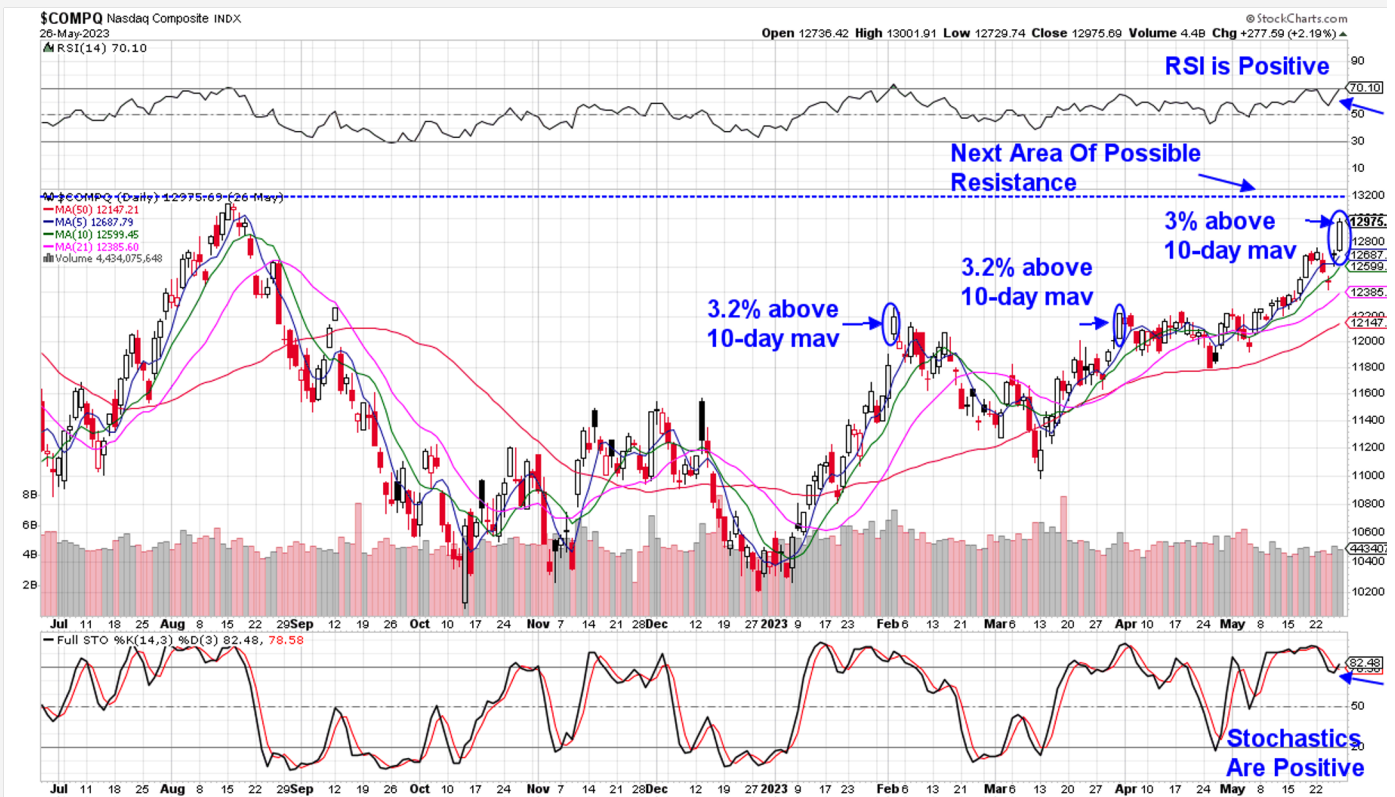
Next week, we anticipate a continued bifurcation in the markets with AI related stocks continuing to bask in the glory of Nvidia's strong growth forecast while Retail, Healthcare and Financials continue to struggle under the weight of their select issues.

With earnings season mostly behind us, investors will again focus on the Feds possible monetary policy path ahead of their June 14th meeting. Last Friday's strong inflation report was ignored by investors as AI news took center stage; however, it may be brought back to the forefront with next Friday's employment data taking center stage as well.

This weekend's debt ceiling compromise may spark a slight rally in the markets however, Wednesday's vote may not prove to be as generous. Once the debt ceiling is raised, the Treasury will begin to raise money by selling large quantities of bonds which in turn, will put upward pressure on interest rates.

For now, we would remain selective when initiating any new positions with a focus on AI related stocks from our List that are poised for further near term upside due to accumulation characteristics amid strong growth prospects.

Nasdaq Composite (\$COMPQ)

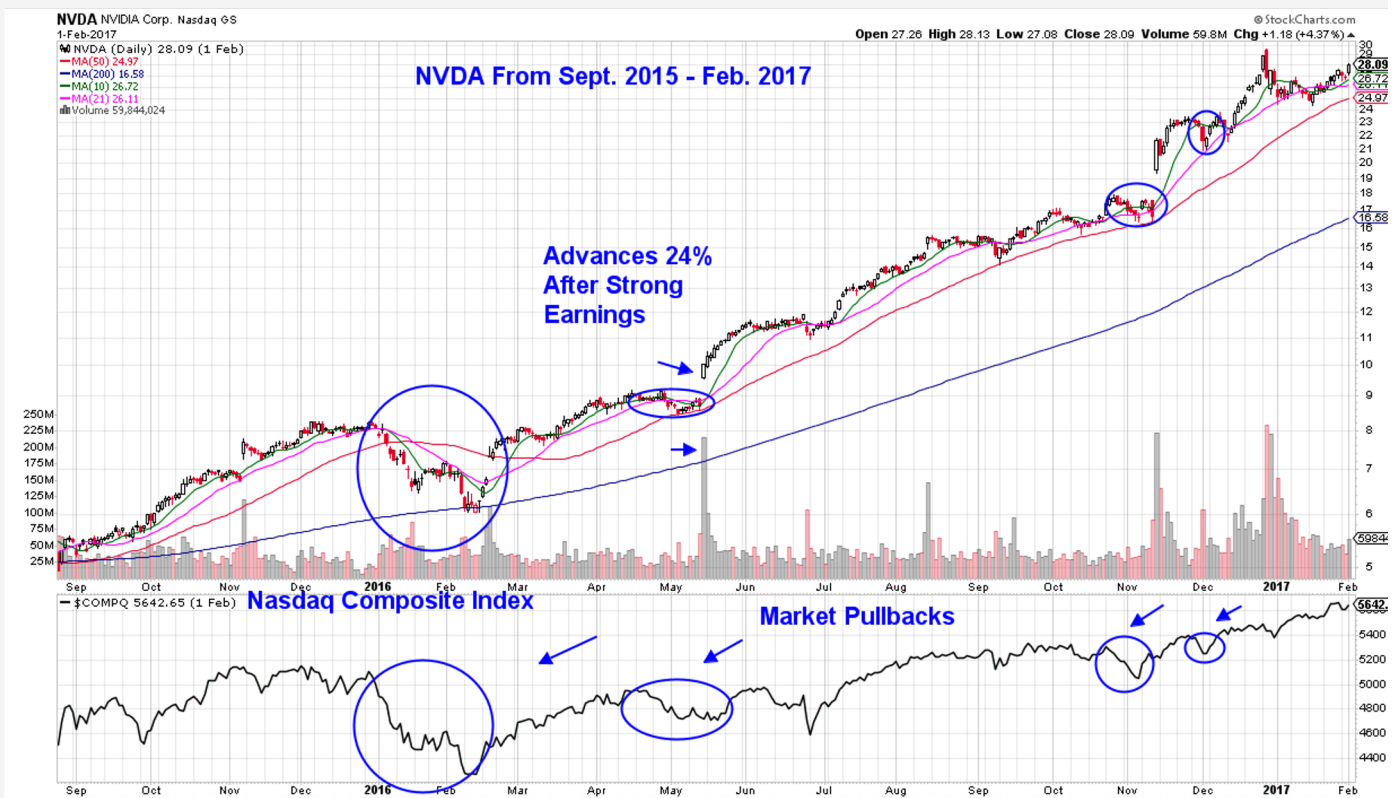


Historical Precedence Of Gaps Up In Price Among Mega-Cap Stocks After Reporting Earnings

A look at similar stocks that have experienced a gap up on earnings tells us that a downward shift in broader market direction will be an overriding influence of a stock's downward price movement after earnings.

However, if the markets are not in a downtrend, we can use the 5-day moving average as an entry point. (see chart below of NVDA from 8 years ago)

Daily Chart of NVDA - SEPT 2015 – FEB 2017



Google's rally on July 17th 2015 which at the time, was the biggest in history after a 16% gain on the heels of a strong earnings report, is another example. The stock held the gap up for a week before a flash crash in the markets took the stock down with it.

February as selling ensued in the markets. A 2nd gap up in price after earnings in late April of this year was followed by a market related pullback before the stock rallied to new near term highs once market pressures receded.

Meta Platform's (**META**) earnings-driven advance in late January of this year also came under pressure in

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						
KBH	K B Home	\$41.70	4/23/2023	4.0%	Sept 20	Residential Builder
WING	Wingstop Inc.	\$157.80	1/29/2023	23.0%	Aug 9	Retail Restaurant
WMT	Walmart	\$147.50	4/02/2023	0%	Aug 15	Retail Discount

COMMUNICATION SERVICES						
GOOGL	Alphabet	\$108.80	4/16/23	16.0%	July 24	Internet Content

HEALTHCARE						
AZIN	AstraZeneca ADR	\$72.30	4/09/2023	-2.0%	July 27	Medical Diversified
BIIB	Biogen	\$318.00	5/07/2023	-6.0%	July 25	Medical Biotech
ISRG	Intuitive Surgical	\$300.22	4/23/2023	0.5%	July 18	Medical Equipment
MRK	Merck & Co.	\$115.30	4/16/23	-7.0%		Medical Drugs

TECHNOLOGY						
AAPL	Apple	\$106.30	3/26/2023	11.0%		Telecom – Cons Products
ACLS	Axcelis Technologies	\$137.00	5/17/2023	17.0%	Aug 4	Semiconductor
AMD	Advanced Micro Devices	\$127.00	5/29/2023		Aug 3	Semiconductor
AVGO	Broadcom	\$657.50	5/17/2023	23.0%	Aug 2	Semiconductor
CRM	Salesforce	\$209.40	5/17/2023	2.5%	May 31	Software
DDOG	Datadog	\$81.80	5/10/2023	8.0%	Aug 4	Software
MSFT	Microsoft	\$276.20	3/16/2023	17.0%	July 25	Software
UBER	Uber Technologies	\$437.80	5/07/2023	2/0%	Aug 2	Software
NVDA	Nvidia Corp	\$178.40	1/22/2023	84.0%	Aug 24	Semiconductor

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.

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