



THE MEM EDGE

Midweek Report

Wednesday May 31, 2023

- Consumer Confidence Drops To 6-Month Low
- Job Openings Rise While Chicago Business Activity Tumbles To 6 Month Low
- May Private Employment Report & Manufacturing PMI Tomorrow
- U.S. Employment Data For May Due On Friday
- June Interest Rate Hike Pushed Off Table After Fed Official Speeches

Daily Chart Of S&P 500 Index



The S&P 500 is down 0.5% over the past two days in a move that puts this Index at its 10-day moving average with its RSI and Stochastics in positive territory. While this price action keeps the



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near term uptrend in place, the S&P is now back below 4200 which is a key area of possible upside resistance.

The Nasdaq has experienced a similar pullback with a 0.3% decline that keeps this Index above each of its moving averages with the RSI and Stochastics in positive territory. The Nasdaq is being held up by outperformance in Tesla and Netflix as well as select Software stocks while Semiconductor stocks are underperforming.

On Monday, the Nasdaq came close to touching its upside resistance area at 13200 before a pullback. As noted in our Sunday report, a pullback is anticipated due to the overbought conditions that followed last week's sharp rally. (see chart below)

Monday began on a positive note on news of the debt ceiling deal before fading into the close and evolving into a pullback today amid concerns regarding a tight vote in the House to approve the deal. Earnings reports are also driving price action with Hewlett Packard (HPQ) tumbling 7% while Advanced Auto Parts (AAP) plunged 35% on negative outlooks.

The Technology sector traded in line with the broader markets as gains in select Software stocks offset a pullback in many Semiconductor stocks.

Among names on our List, Advanced Micro (AMD) is pulling back the most with a 7% decline that has it moving closer to its 5-day moving average. Today, AMD received a price target upgrade to \$135 from Bank of America's highly regarded tech analyst.



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The potential move to that level may take time however as AMD is looking for support after moving below its 5-day moving average.

As you may know, my work advocates taking losses at the 8% level regardless of any bullish outlook for the stock. This is a no questions asked strategy that helps cap potential downside and makes sure a small loss doesn't become a big one. We will remove AMD if it closes at an 8% loss.

Nvidia (NVDA) fell 3% in a move that puts the stock just above its 5-day moving average. The decline followed a pullback today and at this time, we're on the lookout for the stock to find support at this moving average - provided the broader markets remain healthy.

We're using Meta Platforms (META)'s price action following its gap up on earnings on February 2nd as well as April 27th as precedence. Both times, a pullback in the markets dominated price action in META despite its strong earnings and outlook.

Axcelis Technologies (ACLS) posted similar price action with a pullback to its 5-day moving average where the stock found support.

Broadcom (AVGO) traded as much as 11% higher on Monday before a pullback had the stock closing down 1%. Today AVGO was among the few Semi stocks to rally and it remains 5% above its 5-day moving average. AVGO received 2 price target upgrades due to news that Alphabet (GOOGL) has accelerated the purchase of their AI chips.



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The pullback in these stocks is taking place amid uncertainty surrounding the debt ceiling deal while weak earnings reports amid a sharp drop in consumer confidence is also weighing heavy.

This afternoon after market hours, Salesforce (CRM) from our List is pulling back despite reporting earnings and sales above estimates. The company provided a revenue growth outlook that was only slightly above estimates however.

During more bullish phases of the market, investors would look past estimates only slightly above estimates and today's response points to a market that's on edge.

Three additional Software stocks - not on our List - are down over 12% after hours with C2ai (AI), CrowdStrike (CRWD) and Okta (OKTA) falling after reporting weak guidance going forward or revenues below estimates.

Datadog (DDOG) has gained 2% for the week as the stock continues to find support above its key moving averages

Both Microsoft (MSFT) and Uber Technologies (UBER) have pulled back 1% with UBER managing to close above its 5-day moving average while MSFT pulled back to this shorter term moving average. While both stocks are in a buy zone, we expect weakness in the Software group after weak earnings results from peer stocks.

Apple (AAPL) was able to retain a 1% gap up in price amid news from the company that app sales grew 29% vs last year. The stock is in a bullish position to trade higher.



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Healthcare stocks are faring a bit better this week with the sector up 0.2% vs the broader markets 0.5% decline.

Astrazeneca (AZN) regained its 50-day moving average following today's 2.3% rally on above average volume. A move above its 10 and 21-day mavs couple with a positive RSI would put AZN back into an uptrend.

Intuitive Surgical has a positive RSI and MACD amid a 0.3% gain for the week so far. A move above its 5-day moving average at \$305.6 would put the stock into a buy zone.

Biogen (BIIB) continues to struggle as the stock finds resistance at its 5-day moving average while finding support at its 50-day mav. A move above its shorter term moving averages coupled with a positive RSI would put BIIB back into a buy zone. A close below its 50-day mav would be a negative.

Consumer Discretionary stocks are down this week despite Tesla's gains. The group is being hit by a pullback in Retail stocks after Consumer Confidence dropped to a 6-month low. Retailers are down 3% (using ETF XRT)

Housing stocks are continuing to come under pressure amid high mortgage rates and the group has broken below its 50-day moving average on above average volume.

KB Home (KBH) from our List is finding it difficult to trade above its shorter term moving averages which are acting as upside resistance. A move above these levels would put the stock into an uptrend however, further deterioration in the overall group will have us re-evaluation our position.



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Alphabet (GOOGL) is trending mostly sideways amid a lack of any impactful news and the stock can be held.

This week's flat to negative price action in the markets amid a deflated outlook for AI stocks points to a near term negative bias. Today, 2 Federal Reserve officials spoke at events and their comments signaled a halt to any rate hike at the Federal Reserve's next meeting in mid June. Investors did not respond in a positive fashion.

Going forward, Friday's employment figures will be closely watched as the Federal Reserve is on the lookout for unemployment to rise as a way to reduce the currently high inflation.

Should we experience a shift in our market or individual stock outlook, we'll alert you with a special edition of the MEM Edge Report.

Warmly,
Mary Ellen McGonagle,
Editor, MEM Edge Report



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Daily Chart of the NASDAQ Composite (\$COMPQ)

