



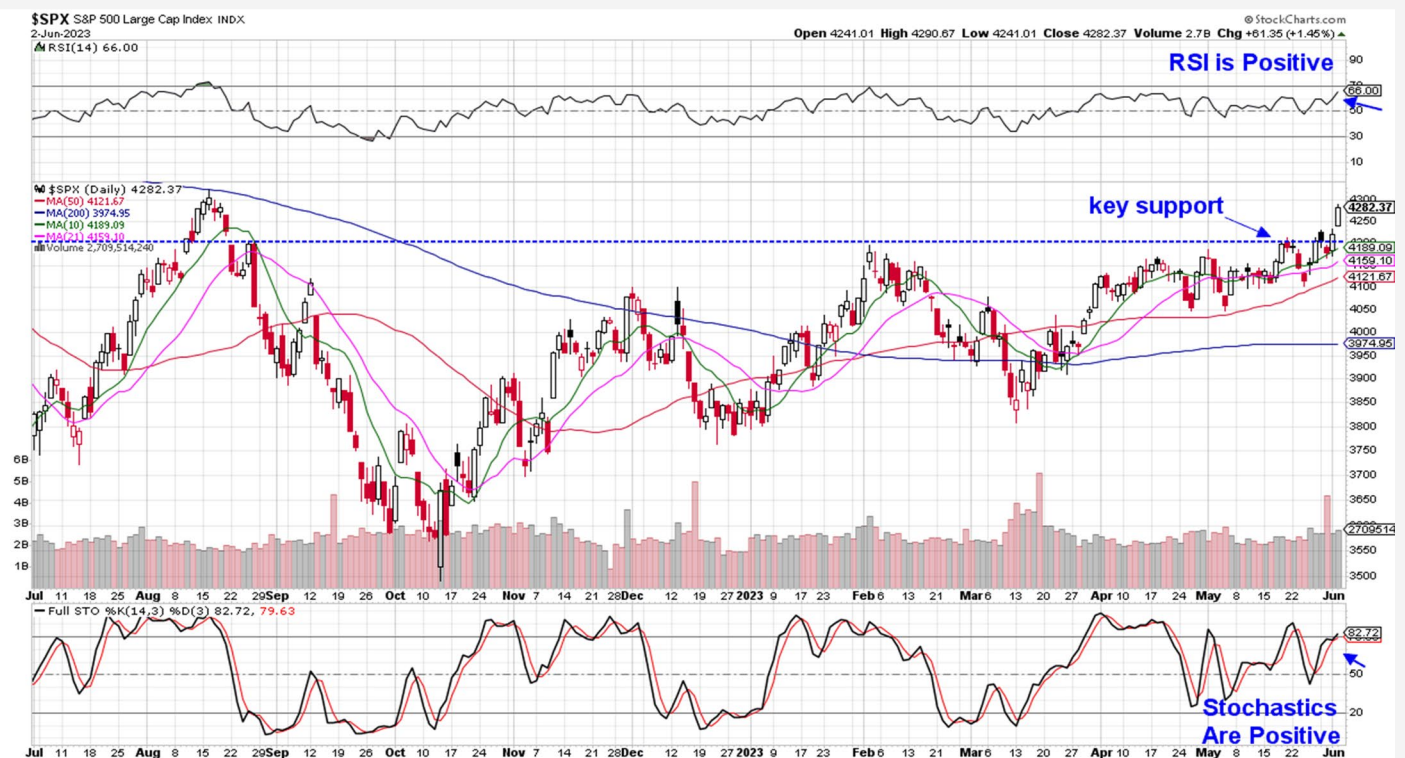
# THE MEM EDGE

June 4, 2023 / Weekly Report

## This Week's Highlights

- Biden Signs Bipartisan Debt Bill To Avert Government Default
- Consumer Confidence Drops To 6-Month Low
- Private Job Openings Rise While Chicago Business Activity Tumbles To 6 Month Low
- June Interest Rate Hike Pushed Off Table After Fed Official Speeches
- Construction Spending and Hiring Remains Strong
- May Employment Shows Sharp Rise In New Jobs With Modest Wage Gains
- Service Sector PMI, Factory Orders & Consumer Credit

### Daily Chart of S&P 500



The S&P 500 gained 1.8% for the week in a move that had this Index closing above resistance at the 4200 level with the RSI and Stochastics in positive territory. This positive price action keeps the near term uptrend in place. A move above a longer term resistance level at 4300 would be even more positive for the markets as this is the next possible level of resistance and it's longer term.

On any pullback, the 4200 level would be the first possible area of support followed by the shorter term

10 and 21-day moving averages which are 2.2% and 3% away respectively.

The Nasdaq posted a 2% gain for the week which pushed this Index above key resistance as well - after closing above the 13200 level on Friday. The RSI and Stochastics are both in positive territory. The RSI however is in an overbought position (above 70) which historically precedes a pullback.

That said, pullbacks in this leading Index have proven to be short lived of late. In the daily Nasdaq chart

below, we've highlighted the negative characteristics which preceded a longer term pullback in late August of last year.

Longer term, the Nasdaq's monthly chart (below) is in a bullish position as the MACD has experienced a positive crossover. This signal follows an RSI which had already entered positive territory while the Nasdaq is trading above its upward trending 6-month moving average. This bodes well for a continuation rally longer term.

The markets began the week on a tentative note as investors awaited news surrounding the debt ceiling while also digesting mixed earnings reports. AI-related stocks which had skyrocketed the prior week, pulled back as interest waned.

Stocks sprung to life on Thursday amid good news on the debt ceiling as well as comments from Federal Reserve officials that they were in favor of forgoing a rate hike at the June FOMC meeting.

A pronounced market shift took place on Friday however, after May's employment data delivered a goldilocks report with job openings rising higher than expected while wage gains were modest. The report helped reduce fears of a recession amid corporate job growth while low wage gains underscored the possibility of a more accommodative Fed.

Cyclical stocks gained the most on the news, as the hint of possible economic expansion pushed Materials,

Industrials and Discretionary stocks higher while Technology underperformed. Small Caps gained the most however amid a rally in Bank stocks.

This broadening out of the markets was alongside a continued outperformance in most of the mega-cap FAANG stocks last week and is an encouraging development.

Narrow leadership such as what we've been experiencing, can easily dismantle an uptrending market while the continued participation into other areas such as cyclicals, will provide a broader base from which the markets can continue to trade higher.

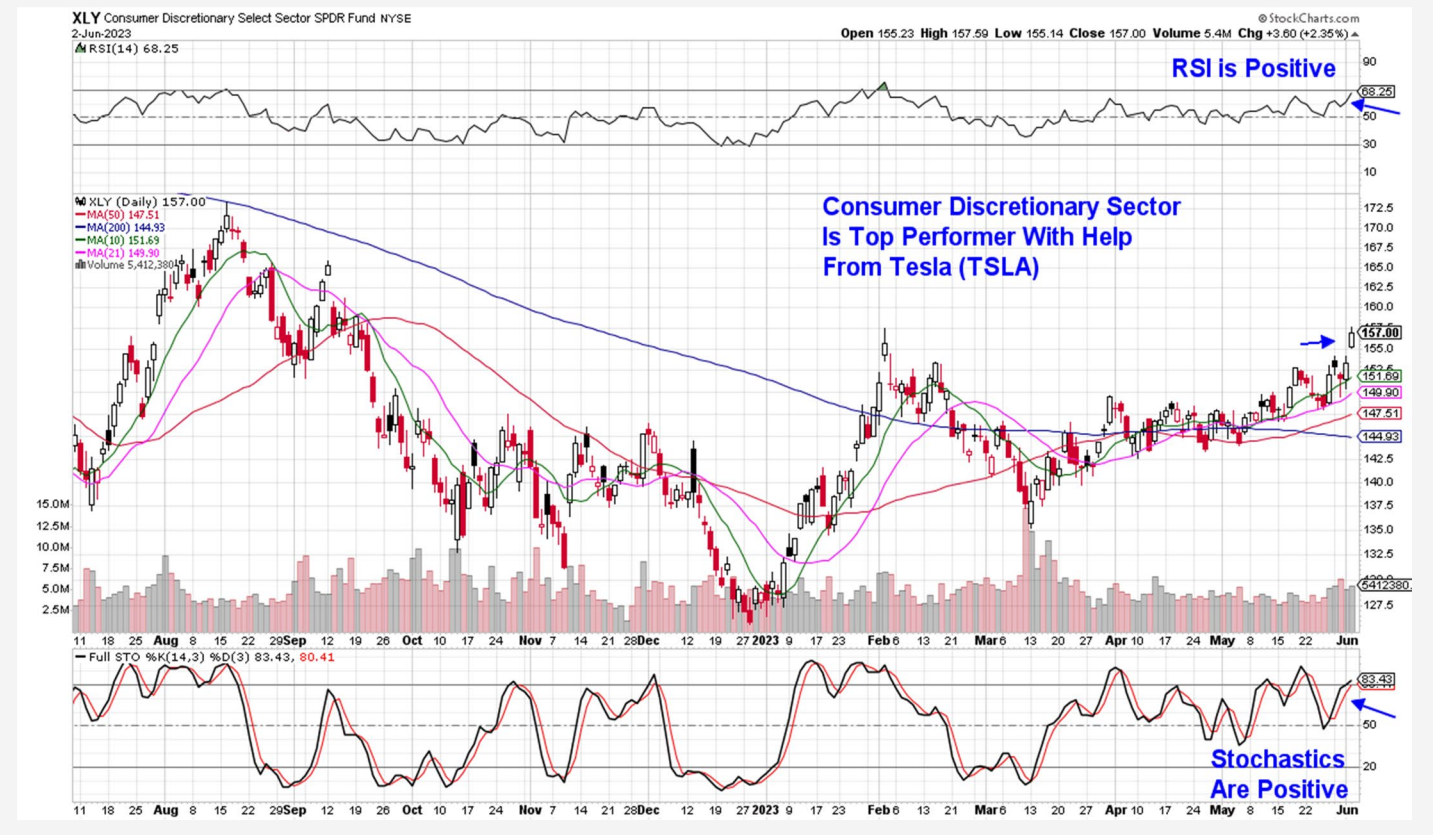
We will need to see more than 2 days of a rotation into these newer areas however to provide conviction that the move has legs. While job growth in the U.S. can signal corporate growth, globally the outlook is much weaker with China slumping while Germany has slipped into a recession.

With the U.S. being the only possible bright spot, tightening credit conditions for businesses amid a pullback in lending from U.S. banks may dampen growth prospects.

At this time, we've expanded our Watch List to include select Industrial and Discretionary stocks that are setting up to potentially trade higher with an eye toward adding them to our Suggested Holdings List as the rotation takes further shape.



## Consumer Discretionary Select Sector SPDR Fund (XLY)



### Consumer Discretionary Sector Is Top Performing

Discretionary stocks received a big boost from heavyweight name Tesla (TSLA) which entered an uptrend after trading above its 200-day moving average on above average volume. Last week's gains occurred amid Musk's unveiling of the latest version of its Model 3 edition in Shanghai while also announcing an agreement with Ford to provide access to their Superchargers.

Tesla (TSLA) posted a 2-month base breakout at \$218 and is now a buy zone as it approaches a lengthier base breakout at \$218. We're adding TSLA to our Suggested Holdings List and the stock can be bought on a pullback to the \$204 range at its 5-day moving average.

Housing stocks also outperformed last week after a big rally on Friday which followed the employment data which boosted hopes of an economic expansion.

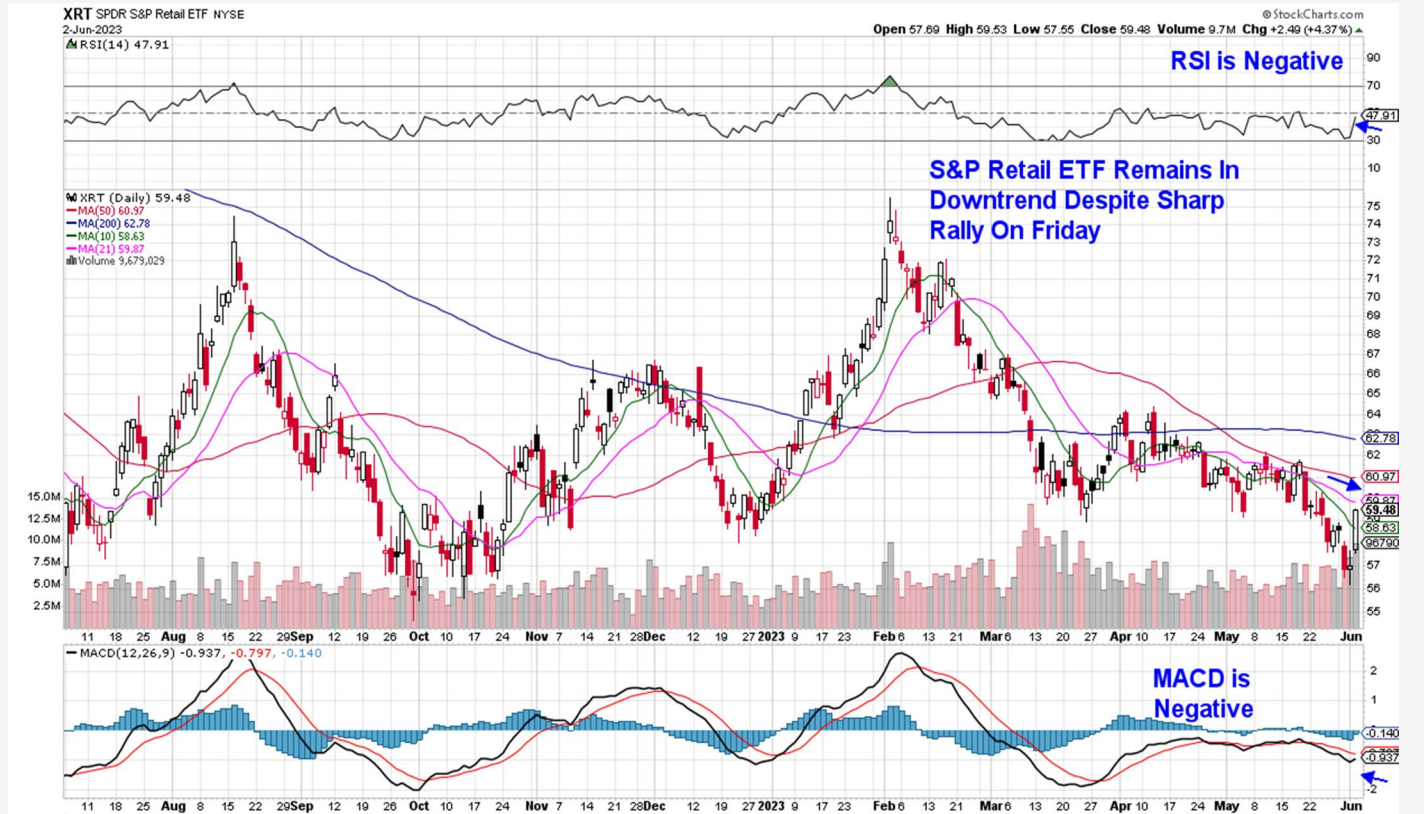
K B Homes (KBH) sprinted into a buy zone after closing the day above its 10 and 21-day moving averages on above average volume. The gain pushed the RSI back into positive territory and KBH can be bought in the \$45 range at its 21-day moving average.

Restaurant stocks underperformed the markets last week with Wingstop (WING) from our List being no exception. The stock pulled back 1.5% while finding support at its 50-day moving average. WING has a history of pulling back to its 50-day moving average. A move back above its shorter term moving averages would put the stock into a strong buy zone. For now, it can be held.

Last week's gains in Consumer Discretionary stocks has put this sector close to a 4-month base breakout however, Retail stocks remain weak amid poor earnings reports and reduced growth outlooks. (using ETF XRT).



## Daily Chart of SPDR S&P Retail ETF (XRT)



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## Technology Select Sector SPDR Fund (XLK)



### Technology Sector Underperforms

The Tech sector was hurt by a pullback in Semiconductor and other AI related stocks with well known names falling an average of 5% for the week on the heels of explosive gains the prior week. Despite the pullback, these names remain above key support with further upside potential ahead.

Advanced Micro (**AMD**) from our List pulled back even further and at this time, we would not be a buyer on the pullback but instead will look for confirmation of support at its 10-day moving average which is 1.7% away. As noted in our Midweek Report on Wednesday, a loss of 8% from your purchase price is a prudent exit point as stemming further losses will preserve not only capital but confidence as well.

Nvidia (**NVDA**) was among the outperformers in Semis with a 1% gain for the week as the stock continues to consolidate after the prior week's gap up on strong earnings. NVDA is finding support at its 5-day moving average which is quite constructive.

As noted in last week's report, stocks that experience big gaps up in price following strong earnings will often experience a period of consolidation before continuing to advance higher.

This subsequent advance higher will continue as long as the broader markets remain in an uptrend. At this

time, NVDA is currently in a bullish position to trade higher and the stock can be bought.

Axcelis (**ACLS**) is in a similarly bullish position after posting a 1% gain last week as it consolidates the prior week's big gain in price. The stock is in a strong buy zone as it finds support at its upward trending 5-day moving average.

We're using ACLS's advance in January into February as precedence as during that rally period, the RSI remained in an overbought position as the stock continued to trend higher.

Broadcom (**AVGO**) is also finding support at its 5-day moving average which is trending higher. As mentioned last week, the company is 2nd behind Nvidia regarding the percent of revenues expected to be generated from AI (per JP Morgan). Most notable in recent news was the company's multibillion-dollar agreement with Apple to provide chips for the company's products.

On Thursday, AVGO reported earnings and sales that were ahead of estimates while also guiding estimates higher for their 3rd quarter. In response to the company's report, 10 major Wall Street firms raised their price target to as high as \$910. AVGO is in a buy zone.

Software stocks moved inline with the markets with a 2.1% rally (using ETF IGV) amid a week of mixed earnings reports from well known companies. Heavyweight name Salesforce (CRM) was down 1% for the week after a 4% decline following their release of quarterly results, which wiped out earlier gains.

Management guided growth slower for this year while raising guidance for 2024, as they continue to put systems in place to improve profits. CRM closed the week above its 10-day moving average with its RSI and MACD in positive territory. With the upbeat, longer term view in focus, CRM is in a buy zone.

Datadog (DDOG) outperformed with a 6% gain that saw most of its advance take place on Friday following strong earnings results from peer data platform provider Samsara (IOT) gapped up in response to strong earnings and guiding higher.

Similar to DDOG, IOT offers AI driven monitoring solutions for cloud based software. IOT has been on our Watch List and we'd like to add it to our Suggested Holdings List on any pullback.

DDOG can be brought on a pullback to the \$95 range at its 5-day moving average.

Uber Technologies (UBER) regained its uptrend with a Friday close above its shorter term moving averages. The stock is being supported following news of the company's alignment with Waymo to provide driverless rideshare vehicles.

UBER had more news on Friday after announcing its partnership with Ford to introduce a flexible lease program for rideshare drivers of Ford's electric vehicles. UBER is in a strong buy zone.

Heavyweight Software stock Microsoft (MSFT) posted a modest 1% gain following the prior week's AI driven rally. As suggested in last week's report, MSFT was extended above its 5-day moving average and a pullback would put the stock into a buy zone. MSFT closed the week at its 5-day mav and is in a strong buy zone as it continues to trend higher.

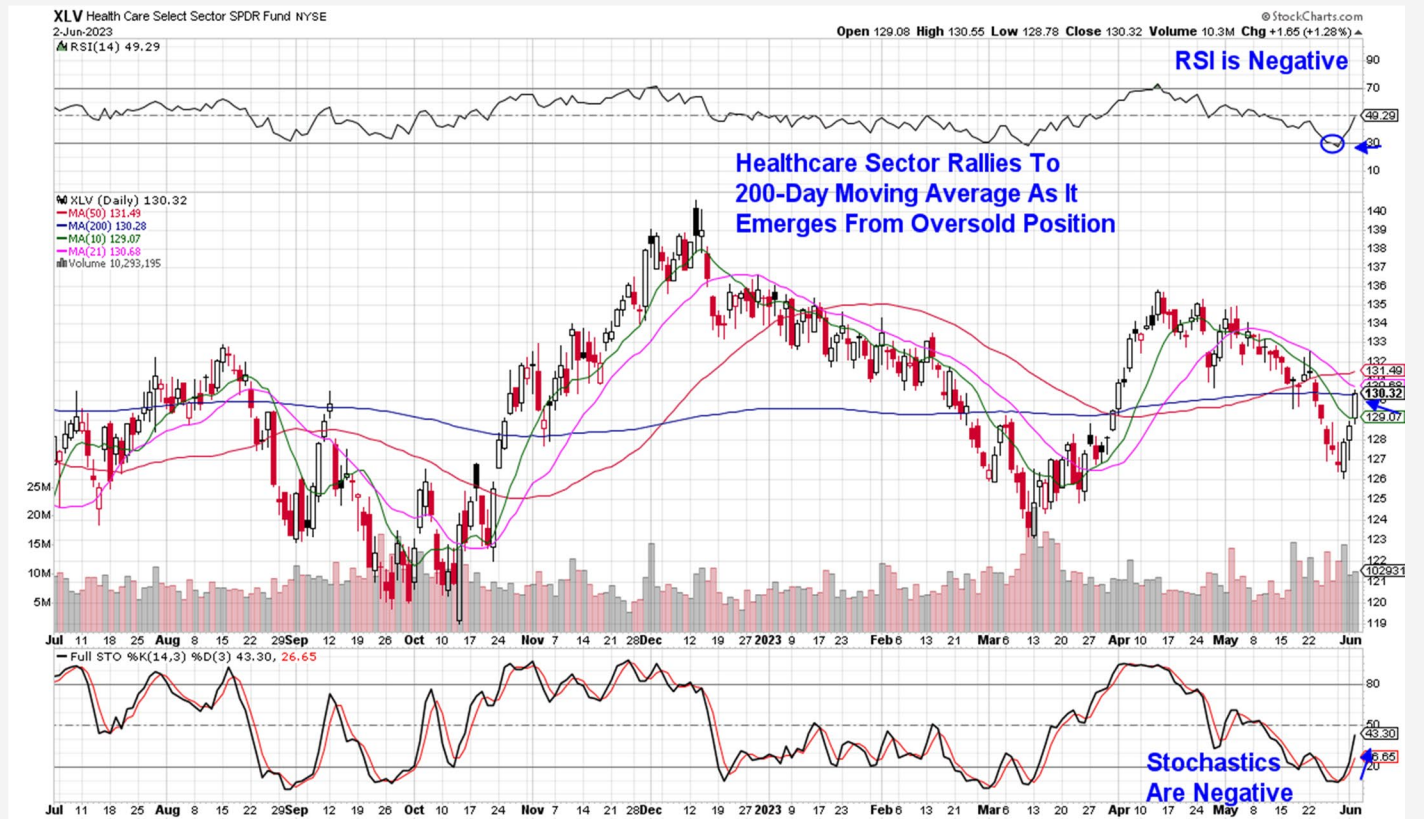
Last week, the company received two major Wall Street upgrades due to their being at the forefront of the AI race with a clear ability to deploy and monetize their AI and ChatGPT capabilities.

Apple (AAPL) rallied over 3% ahead of tomorrow's anticipated launch of the company's virtual reality reality headsets. The news is part of Apple's annual Worldwide Developers Conference and investors are anticipating other breakthrough announcements as well, relating to new iPhone and MacBook features.

AAPL is in a confirmed uptrend while finding support at its shorter term moving averages. However, the RSI is in an overbought position on the daily chart. While AAPL has been trending higher of late, adding to shares on any pullback to its 21-day moving average has proven to be an ideal entry point.



## Health Care Select Sector SPDR Fund (XLV)



### Healthcare Sector Outperforms

Healthcare stocks gained 2.2% last week amid news of 2 major Pharmaceutical buyouts which sent shares of the acquired firms soaring.

Elsewhere in this sector, select Medical Products stocks emerged from a deeply oversold position later in the week. (using ETF IHI). The rally was not enough to reverse the downtrend in this group however, robotic surgical company Intuitive Surgical (**ISRG**) is back in an uptrend after closing the week above each of its moving averages.

ISRG gained amid a price target upgrade from renowned Wall Street firm Bernstein who cites the company as having the most compelling long-term growth story in its coverage. ISRG is in a buy zone.

Astrazeneca (**AZN**) was flat for the week and closed just at its 50-day moving average. The company announced

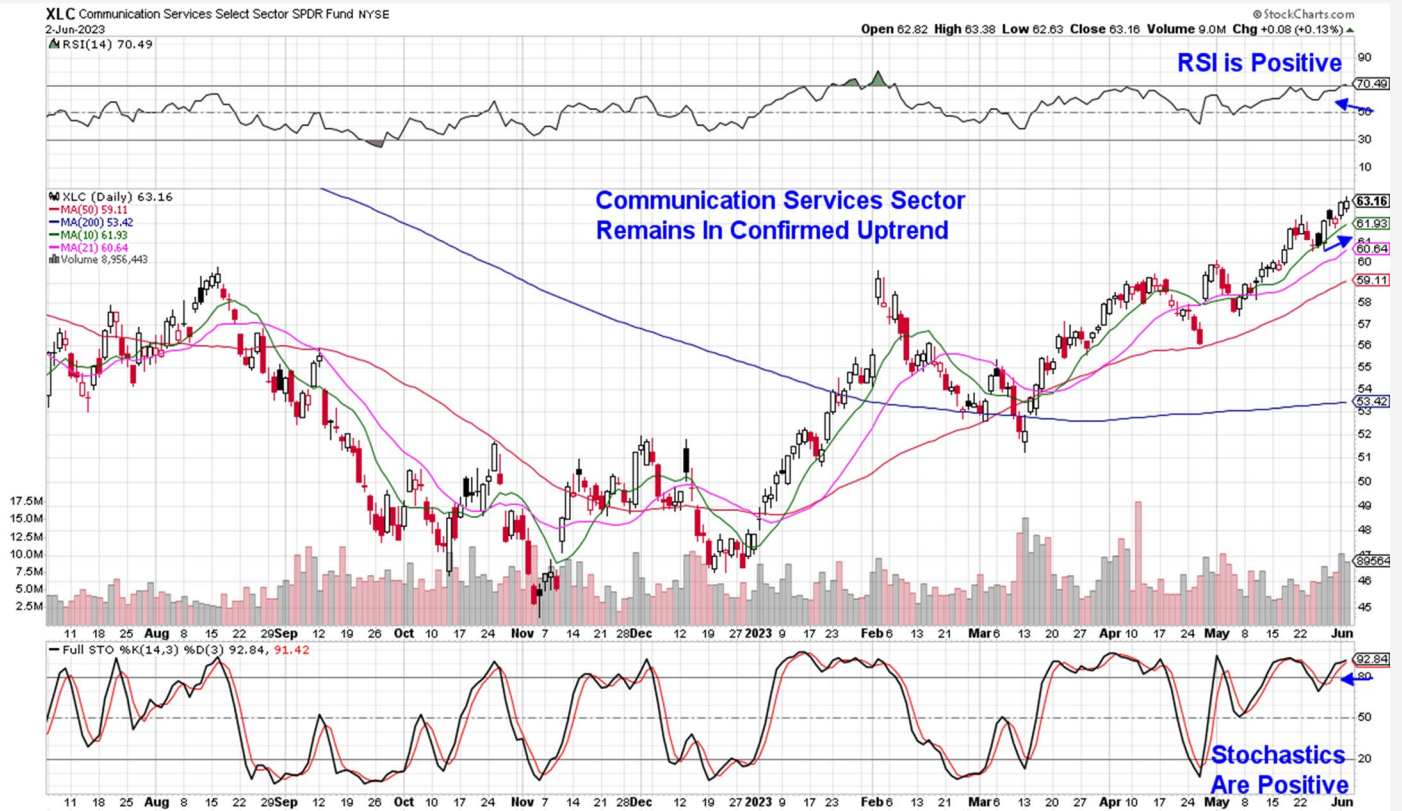
several positive developments this weekend such as news that their lung cancer therapy Tagrisso had positive trial data as it cut the risk of death by more than half.

AZN is not in a buy zone as its momentum indicators are hovering in negative territory with the stock unable to break above its key moving averages. A move above its 50-day mav coupled with a positive RSI would put AZN into a buy zone.

This week, we're adding Vertex (**VRTX**) to our Suggested Holdings List after a Friday rally pushed the stock back above its 50-day moving average. The gain occurred amid a Wall Street price target upgrade to \$382 due to the company's expansion to include additional therapies outside of their leading cystic fibrosis franchise. VRTX is on the verge of posting a positive RSI which would in turn, put the stock into a strong buy zone.



## Communication Services Select Sector SPDR Fund (XLC)



### Communication Services Sector Remains In An Uptrend

Communication Services remains in an uptrend despite a sharp selloff among Mobile Telecom companies amid news that Amazon Prime may begin to offer cheap wireless service to members.

Internet related companies such as Alphabet (GOOGL) were mostly flat for the week amid a lack of any real

news. The stock has been in a consolidation phase over the past 2 weeks as it digests its mid to late May gains.

GOOGL is in a buy zone with a move above its late May high of \$126 putting the stock into a strong buy zone.



# Summary

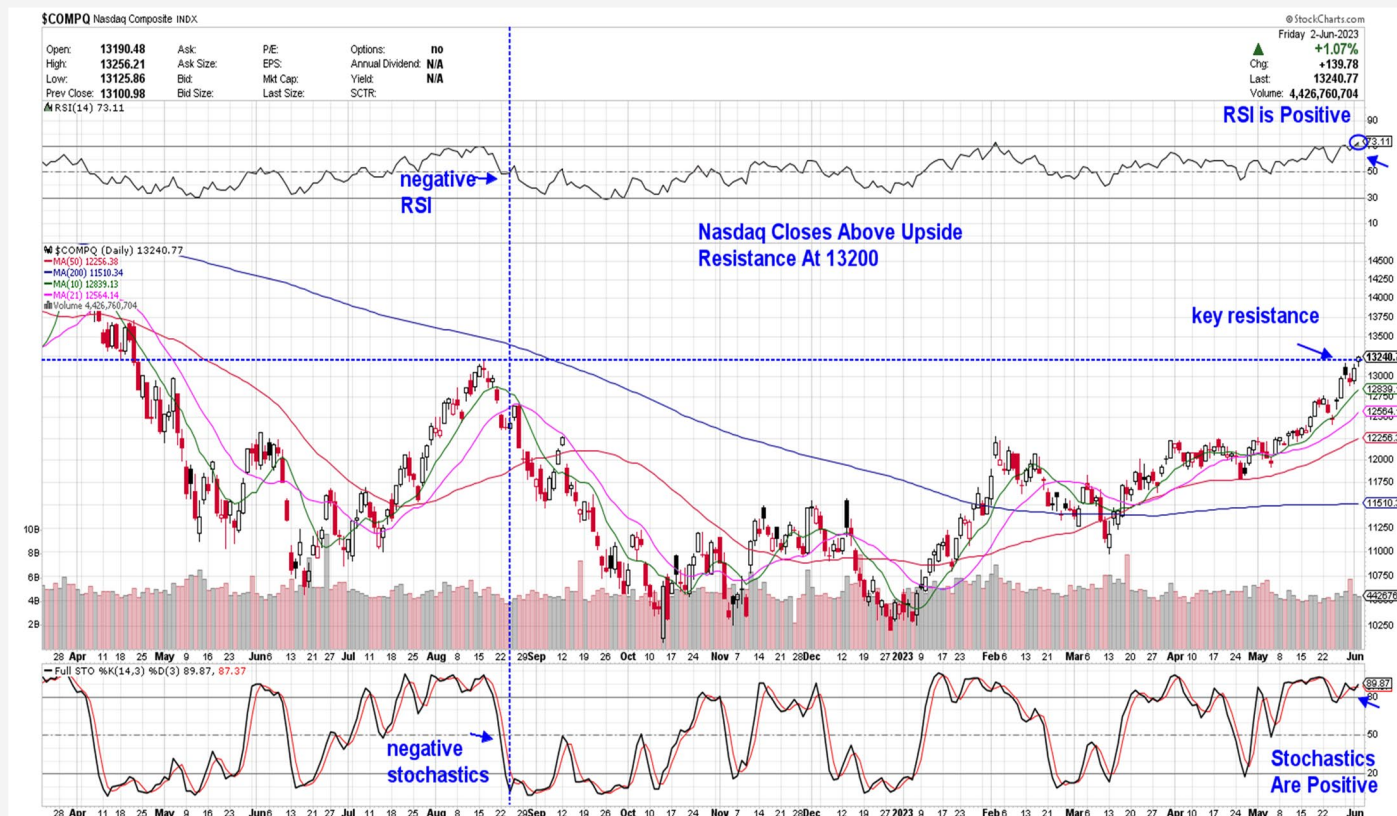
Last week's rotation into cyclical areas of the market was a very encouraging development as the broadening out of the markets helped propel the equal weighted S&P 500 above each of its moving averages with the RSI now in positive territory. This took place following Friday's 2% rally in this Index. (using \$SPXEW on Stockcharts.com). A one day rally is not enough to signal a reversal however and we'll continue to monitor price action in this chart as well as the broader markets.

At this time, the Nasdaq remains in a leadership position and we will continue to focus on leading stocks in this Index as they continue to trend higher.

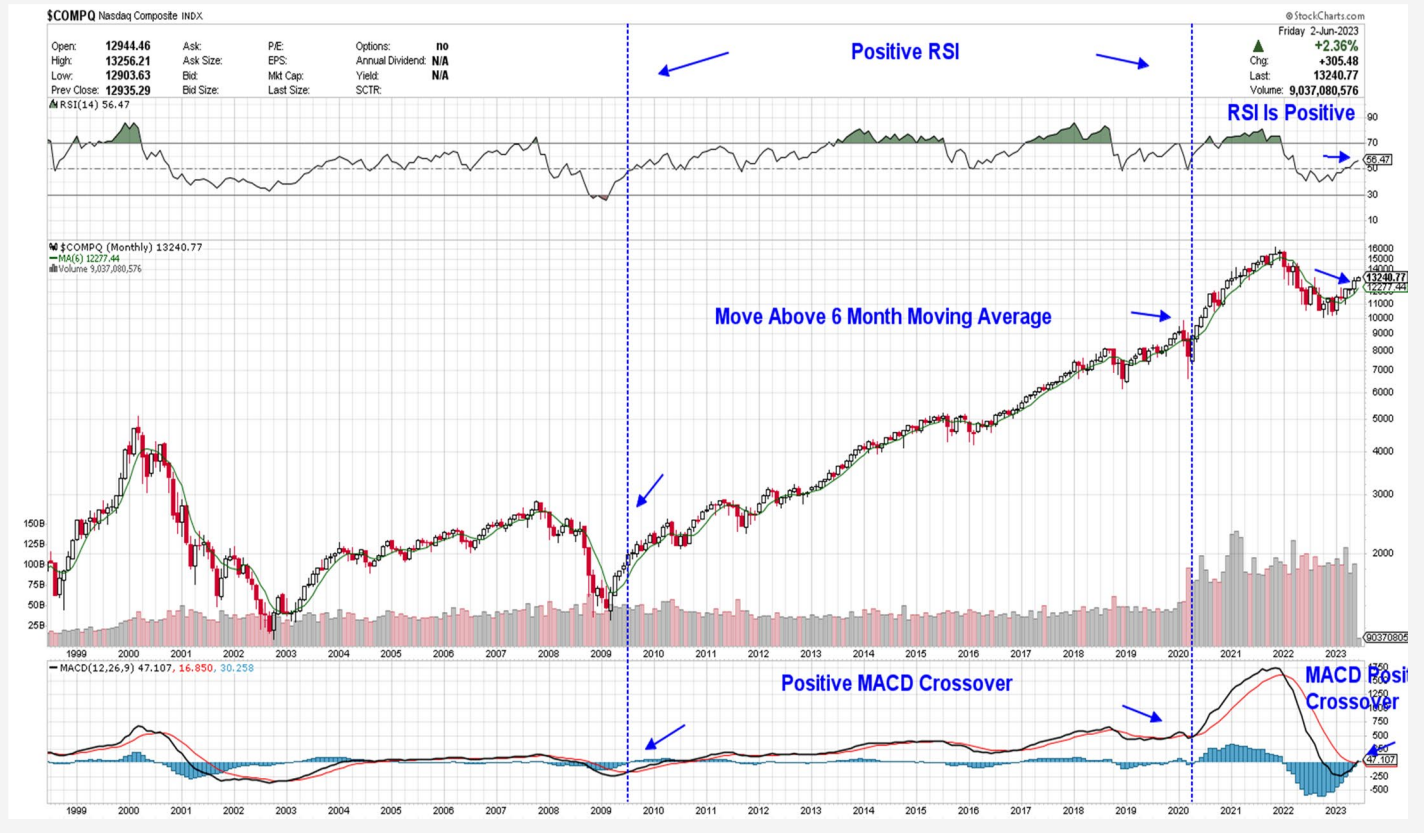
This weekend's passage of the Debt Ceiling bill which was signed by Biden yesterday, reduces uncertainty among investors as do comments from Federal Reserve officials expecting a pause in interest rate hikes at the FOMC meeting in mid-June. Friday's jobs report reduced recession fears which was another pain point for the markets.

The result was increased momentum in the market as the recently narrow leadership in Technology was joined by other areas. If market breadth continues to improve, our confidence in the market's current uptrend will as well.

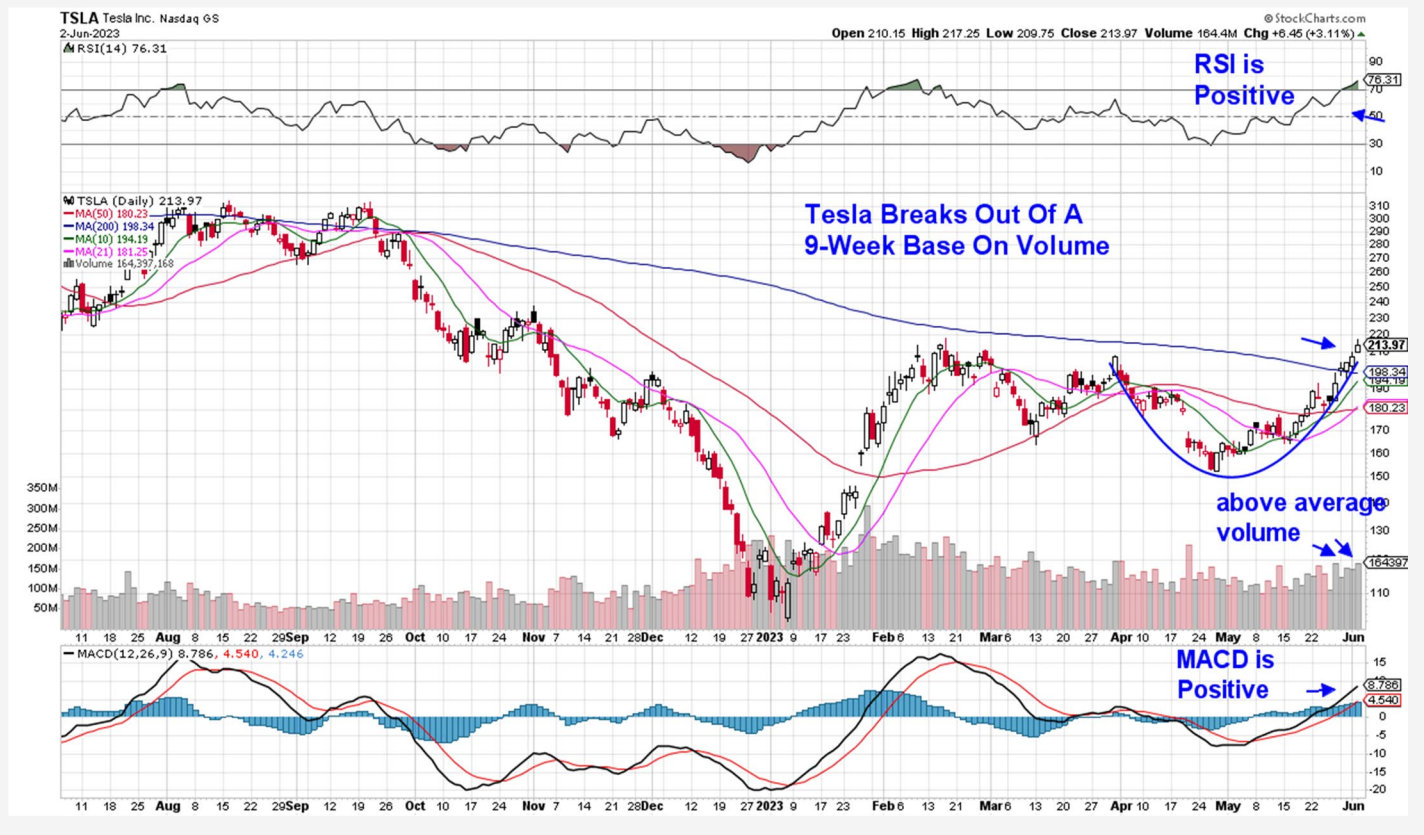
## Daily Chart of NASDAQ Composite (\$COMPQ)



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



## Daily Chart of Tesla Inc. (TSLA)



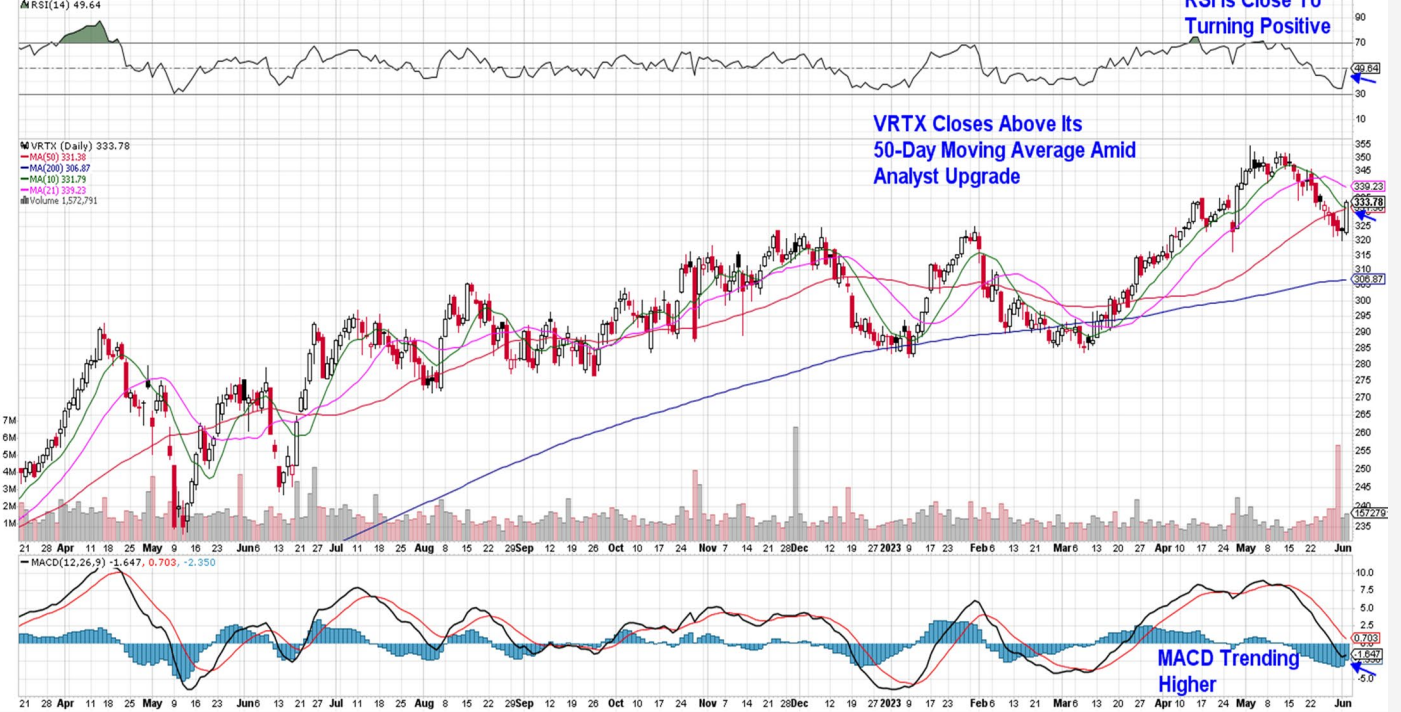
## Daily Chart of Vertex Pharmaceuticals Inc. (VRTX)

VRTX Vertex Pharmaceuticals Inc. Nasdaq: VTX

Health Care / Biotechnology  
 Open: 323.00 Ask: P/E: 26.59 Options: yes  
 High: 334.53 Ask Size: EPS: 12.55 Annual Dividend: N/A  
 Low: 322.24 Bid: Mkt Cap: 86.1B Yield: N/A  
 Prev Close: 323.62 Bid Size: Last Size: SCTR (Large): 62.8  
 RSI(14): 49.64

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Friday 2-Jun-2023  
 Chg: +3.14%  
 Last: 333.78  
 Volume: 1,572,791



The  
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 WEEKLY REPORT



# 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	7.5%	-	Residential Builder
TSLA	Tesla	\$214.00	6/4/2023	-	-	Auto Manufacturer
WING	Wingstop Inc.	\$157.80	1/29/2023	21.5%	Aug 9	Retail Restaurant

COMMUNICATION SERVICES						
GOOGL	Alphabet	\$108.80	4/16/2023	16.0%	-	Internet Content

HEALTHCARE						
AZN	AstraZeneca ADR	\$72.30	4/9/2023	-2.0%	-	Medical Diversified
BIIB	Biogen	\$318.00	5/7/2023	5.5%	-	medical Biotech
VRTX	Vertex Pharmaceuticals	\$333.80	6/4/2023	-	Aug 1	Medical - Biomed
ISRG	Intuitive Surgical	\$300.22	4/23/2023	2.5%	-	Medical Equipment

TECHNOLOGY						
AAPL	Apple	\$160.30	3/26/2023	14.0%	-	Tele-Cons Products
ACLS	Axcelis Technologies	\$137.00	5/17/2023	18.0%	Aug 4	Semiconductor
AMD	Advanced Micro Devices	\$127.00	5/29/2023	-7.0%	Aug 3	Semiconductor
AVGO	Broadcom	\$657.50	5/17/2023	23.0%	Aug 2	Semiconductor
CRM	Salesforce	\$209.40	5/17/2023	1.5%	-	Software
DDOG	Datadog	\$81.80	5/10/2023	14.0%	Aug 4	Software
MSFT	Microsoft	\$276.20	3/16/2023	18.0%	-	Software
UBER	Uber Technologies	\$437.80	5/7/2023	5.5%	Aug 2	Software
NVDA	Nvidia Corp	\$178.40	1/22/2023	85.0%	-	Semiconductor

# 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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