



THE MEM EDGE

Midweek Report

Wednesday, June 7, 2023

- Small Cap Stocks Reverse Downtrend
- Bank Of Canada Posts Surprise Rate Hike
- China's Exports Drop 7% Vs Last Year
- Interest Rates Rise After US Treasury Boosts Size Of Upcoming Bill Sales
- Weekly Jobless Claims Report Tomorrow
- FOMC Meeting With Interest Rate Decision & Notes Next Week
- Removing Salesforce (CRM) From Suggested Holdings List
- Adding Skechers USA (SKX) And Comerica (CMA) To Suggested Holdings List

DAILY CHART OF S&P 500 INDEX





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The S&P 500 is down 0.3% for the week in a move that keeps this Index above the 4200 level which is now the first area of possible support. With the RSI and Stochastics in positive territory, the uptrend in the S&P 500 remains in place.

While the broader S&P 500 is flat for the week, the Equal Weighted S&P 500 has gained 1% amid a continued rally in Cyclical stocks which sprung to life after last Friday's positive employment report.

Materials, Industrials and Financials are gaining for the week while Small Cap stocks are far outpacing the markets amid a sharp rally in Bank stocks and Small Cap Retail names. The continuation rally in these areas has us adding two stocks to our Suggested Holdings List from these areas.

The Nasdaq is down 1.1% so far this week with the Index closing below the key 13200 level. The Nasdaq closed last week in an overbought position from which a pullback was anticipated. Currently, the Nasdaq is 0.8% away from its 10-day moving average which is the first area of possible support. The uptrend in this Index remains in place.

The Technology sector is down the most for the week with a 2.2% decline that's being led by fears of an interest rate hike at the Feds July meeting. The concerns emerged after the Bank of Canada posted a surprise rate hike at their meeting today.

Higher interest rates are a negative for Growth stocks and in particular, Technology as they reduce the value of future earnings.



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Software stocks were hit the hardest with heavy selling today on high volume. Of note, Software stocks were in an oversold position going into today, with the RSI at a level not seen since late 2020 after these stocks had been running. (using ETF IGV)

While a pullback is not out of line in Software stocks at this time, we are removing Salesforce (CRM) due to its specific price action. This week's decline put the RSI into negative territory on the daily chart. In addition, CRM posted a negative engulfing candlestick today where the price traded above the high of yesterday but closed below the low. Longer term investors can stay with the stock as the weekly chart remains positive.

Microsoft (MSFT) has fallen 3.8% on heavy volume that puts the stock below its 10-day moving average. The next area of near term support is its 21-day mav which is 0.8% away.

Datadog (DDOG) fell even further with a 5.5% decline so far this week that pushed this overbought stock back below its 10-day moving average. The 21-day mav is 1.4% away and is the next area of possible support. DDOG can be held.

Uber Technologies (UBER) pulled back to its 10-day moving average on below average volume with its RSI and MACD in positive territory. The stock can be held.

Today after the close, widely followed Software company Smartsheet (SMAR) - not on our list - is down over 11% after reporting weaker than expected quarterly results. This may negatively impact other software stocks tomorrow.



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Semiconductor stocks remain in a confirmed uptrend with the group above its 10-day moving average. (using SOXX) Recent consolidating price action has the group forming a high tight flag formation with a move above its high of last week, putting it back into an uptrend.

Nvidia (NVDA) has pulled back further than the group with a 4.7% decline. Ideally, we do not want NVDA to close below the \$366 level which is the low point of its gap up in price after earnings last month as this may lead to a closing of the gap. (similar to META in February)

Axcelis Technologies (ACLS) from our List has fared much better with a 5.2% rally on the heels of an upgrade from a major Wall Street firm who cited ACLS's dominance in the ion implantation equipment market. ACLS is extended and can be bought on a pullback to its 5-day moving average (\$165) provided Semis remain in an uptrend.

Broadcom (AVGO) has pulled back to its 10-day moving average in an orderly fashion as it digests the sharp gains from over a week ago. The pullback is occurring on below average volume which is constructive. The stock can be held.

Advanced Micro Devices (AMD) can be held as well however, a negative RSI coupled with a negative MACD crossover would have us reconsidering our near term view for the stock. AMD can be held.

The Consumer Discretionary sector is getting a boost from Cyclical stocks such as homebuilder KB Home (KBH) from our List. The stock has gained 6.3% this week in a move that's



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pushed the stock out of a 3-week base on heavy volume. KBH is in a confirmed uptrend however, it's currently extended above its 5-day moving average and can be bought on a pullback to this mav at \$47.

Tesla (TSLA) is also in a confirmed uptrend as it finds support at its upward trending 5-day moving average. This week's 4.5% rally has occurred on above average volume which is constructive. The stock can be bought on a pullback to its 5-day at \$217 however, we anticipate a period of consolidation at some point as the RSI is in an overbought position. The weekly chart for TSLA is now positive as well after the MACD entered positive territory. This bodes well for the longer term outlook.

Today we're adding footwear stock Skechers (SKX) to our Suggested Holdings List after a rally this week has pushed the MACD into a positive crossover (black line up through the red) as the stock approaches a 1-month base breakout at \$55. SKX is in a strong buy zone.

Healthcare stocks are underperforming this week however, there are bright spots such as Biogen (BIIB) which now has a positive RSI after recovering from a brief dip below its 50-day moving average. Today's rally on above average volume puts BIIB into a buy zone.

Vertex (VRTX) has been unable to close above its 21-day moving average which would put the stock into a buy zone. We would not be a buyer of the stock at this time and due to negative momentum characteristics on its daily chart.



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Alphabet (GOOGL) pulled back almost 4% today and we would not be a buyer as it occurred on above average volume with the stock falling below its 10-day mav. A move back above this 10-day mav would put GOOGL back into an uptrend.

Regional Bank stocks have gained 3.9% for the week amid a move back into Cyclical stocks. Today we're adding Comerica (CMA) to our Suggested Holdings List after a rally pushed the MACD into positive territory where it joined a positive RSI. The stock is in a confirmed uptrend and a new position can be initiated with a full position being accumulated as we continue to see a move into these beaten down stocks.

The economic calendar remains light for the remainder of this week which keeps the market susceptible to any uncertainty caused by news. At this time, we would refrain from adding to Growth stocks that have pulled back until signs that the near term selling has subsided.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report



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DAILY CHART OF NASDAQ

