



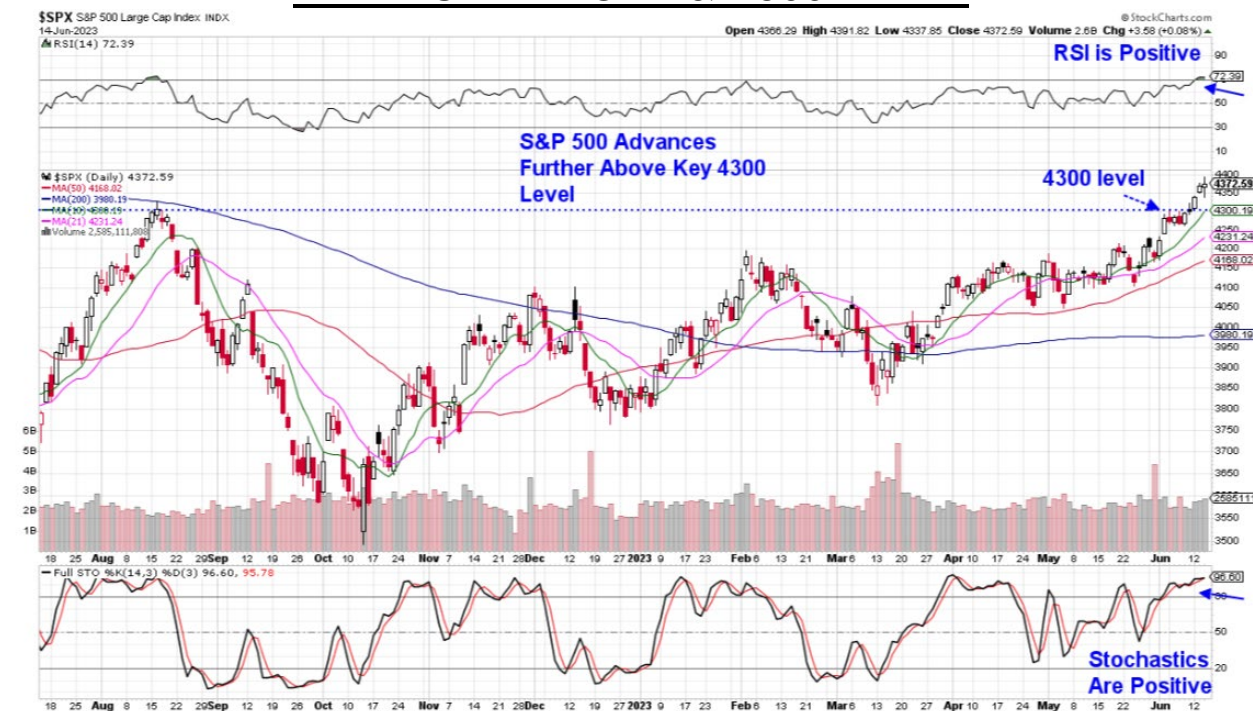
THE MEM EDGE

Midweek Report

Wednesday June 14, 2023

- Federal Reserve Skips Rate Hike But Sees 2 More This Year
- Core Inflation Rises 0.4% In May And Is Up 5.3% vs Last Year
- Producer Price Index Falls 0.3%; Core Prices Smallest Increase Since Feb '21
- Weekly Jobless Claims and Retail Sales Tomorrow, Consumer Sentiment On Friday
- Removing AstraZeneca (AZN) from Suggested Holdings List

DAILY CHART OF S&P 500 INDEX



The S&P 500 has gained 1.7% for the week in a move that's advanced this Index further above its key 4300 level which had



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been widely viewed as a longer-term area of possible upside resistance. With the RSI and Stochastics in positive territory, the near term uptrend is very much in place.

Should we experience a pullback, 4300 is now the first area of possible support and is 1.6% away.

The Nasdaq posted a larger gain with a 2.8% rally that pushed it further above 13200, which was a longer term area of possible resistance for this Index. The RSI is positive however, it's now back in an overbought position which historically leads to a period of consolidation or a pullback. Last week's flat performance in the Nasdaq followed an overbought RSI condition from the prior week.

Among the biggest news this week has been that key inflation reports - namely the CPI and PPI for May - showed that inflation is continuing to stabilize and at the very least, not increasing.

Today, the Federal Reserve paused their rate hike campaign as was expected however, Fed Chair Powell announced the addition of 2 more rate hikes before year end. The surprise news was taken mostly in stride as an initial decline in the markets was reversed.

This week's gains in the market have been led by Technology stocks which are up 4% for the week due to strong outperformance in Semiconductor and Software stocks as well as select FAANMG names.

The move into Growth stocks was joined by a continuation rally in Cyclical areas that have been on the move higher since the May



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employment numbers pointed to economic growth and reduced inflation fears. In turn, the equal weighted S&P 500 has advanced further above its key moving averages. This broadening out of the markets is quite constructive. You can read more in my [article from yesterday.](#)

Semiconductor stocks were among the top performing this week with both Nvidia (**NVDA**) and Broadcom (**AVGO**) being among the top performers with an 11% and 10.1% gain respectively. Their sharp advance highlights the continued interest in companies that produce AI related products.

As cited in our Report after NVDA's strong earnings 3 weeks ago, NVDA and AVGO are viewed to be the top two Semiconductor companies that will see a significant impact to their revenues due to their AI focused chips. NVDA broke out of a 2 week base on heavy volume today and a pullback to the \$405 range would be an ideal buy point. AVGO is in a confirmed uptrend and a pullback to the \$845 range would be an excellent buy point.

Applied Materials (**AMD**) has been late in its move toward AI with an announcement today of new products aimed at taking advantage of the huge opportunity in this market. The stock posted meager gains in response despite a price target upgrade from 12 Wall Street firms. AMD is in a buy zone as it finds support at its upward trending 5-day moving average.

Axcelis Technologies (**ACLS**) has underperformed for the week due to a Wall Street downgrade today which cited the company's high valuation after its recent gains. ACLS is in a buy zone after finding support at its 10-day moving average.



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The Semiconductor group remains in a confirmed uptrend however, the RSI is now in an overbought position from which a pullback may take place. We would view any pullback as a buying opportunity. (using ETF SOXX)

Software stocks also outpaced the market with AI related companies seeing the largest gains. This would include recently added Intapp (**INTA**) which gained 11% so far this week. The company uses applied AI to provide actionable information for those in the financial services industry.

The position of the RSI and MACD on INTA's daily chart points to further upside for the company which has a history of outpacing the markets once it enters a strong uptrend such as now. The stock is in a strong buy zone at the \$49 level.

Uber (**UBER**) has gained 1% for the week and remains in a strong buy zone as it finds support at its upward trending 5-day moving average. Datadog (**DDOG**) also gained 1% however, the stock is struggling to regain its recently strong uptrend. We'd be more interested if the stock traded back above the \$98 level.

The Software group also has its RSI in an overbought position similar to early last week which preceded Wednesday's sharp pullback. (using ETF IGV).

Oracle (ORCL) posted a sharp rally following their strong earnings report earlier this week. We anticipate adding the stock to our Suggested Holdings List on any pullback to the \$114 range.



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The Healthcare sector continues to struggle with a pullback today that took place after XLV found upside resistance at its 50-day moving average.

Biogen (**BIIB**) loss gains from earlier in the week following news of an FDA Advisory boards approval of their Alzheimer's drug. The pullback occurred following news that the company faces hurdles in Europe with the drug. BIIB did close today above its 50-day moving average however we would not be a buyer on its pullback given the above average volume on selling over the past 2 days.

AstraZeneca (**AZN**) also pulled back today in a move that puts the stock below its key 50-day moving average. We're removing the stock from our Suggested Holdings List as the RSI and MACD are now in negative territory.

Intuitive Surgical (**ISRG**) gapped up into a 2-week base breakout today in a move that puts the MACD on the cusp of posting a bullish crossover. (black line up through the red. The move puts the stock into a buy zone. Vertex (**VRTX**) is also in a buy zone as the stock finds support at its upward trending 5-day moving average.

Regional Bank stocks have pulled back for the week with Comerica (**CMA**) from our List moving lower in line with the group. CMA did post a strong rally on heavy volume on Tuesday which as a positive however, as suggested in our Sunday Report, we would underweight Bank stocks as investors continue to sort out their financial conditions.



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Skechers (**SKX**) has pulled back this week. We'd be a buyer on a move back above its 5-day moving average at \$53. And lastly, housing stocks pulled back slightly today following Fed Chair Powell's announcement of 2 more interest rate hikes this year. KBH (**KBH**) remains in an uptrend and can be bought as it finds support at its upward trending 5-day moving average.

The stock markets resilience in the face of news that the Fed will raise rates further, is quite positive as is the broadening out of the markets to include areas outside of the recently strong Technology sector. As noted however, key areas are in an overbought position following recent strength which mandates buying on a pullback in select names which we've highlighted.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report