



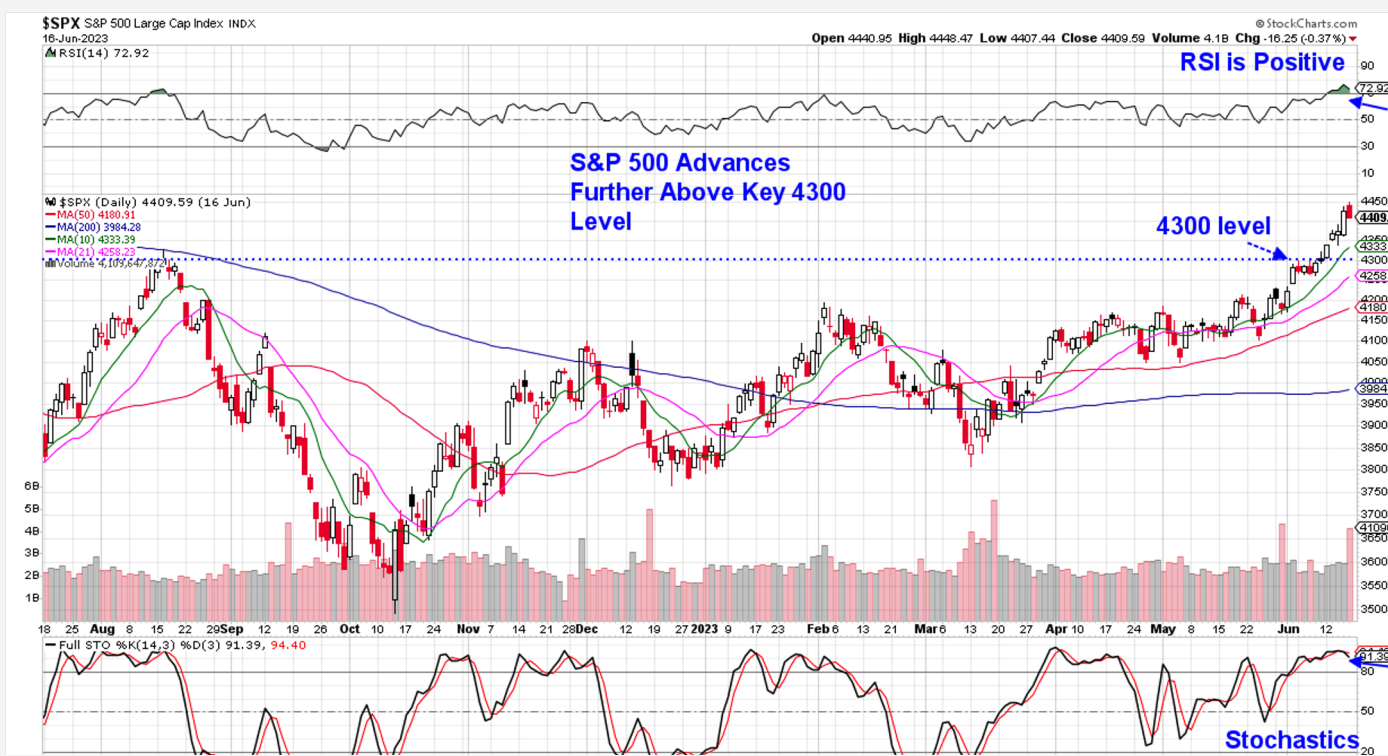
# THE MEM EDGE

June 19, 2023 | Weekly Report

## This Week's Highlights

- 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 Rises 3% in May, Consumer Sentiment Rises To 4-Month High
- Fed Chair Powell Speaks, Flash PMI and Housing Data Next Week

### Daily Chart of S&P 500



The S&P 500 ended the week up 2.7% in a move that advances this Index further above the 4300 level which had been a key area of possible upside resistance. The continued rally above this level - coupled with other factors which we'll review below - provides confidence that this rally is headed toward a longer term uptrend.

Near term however, we're anticipating at least a period of consolidation given the overbought condition of both

the RSI and Stochastics on the daily chart of the S&P 500. Below, we've posted a 3-year daily chart of the S&P 500 and highlighted the price action that's taken place in the past when the RSI is in an overbought position.

The Nasdaq outperformed again last week, with a 3.3% rally that puts the RSI back into overbought territory where it joins the already overbought Stochastics on

the daily chart. The Nasdaq has also advanced above its key area of possible upside resistance at the 13200 level and the gains support the possibility of a longer term uptrend. Near term however, we're on the lookout for a pause or a pullback.

At this time, we're anticipating a shorter term pullback for the markets as a more tame interest rate environment and a generally positive economic backdrop are in place. A look at historical precedence over the past several years shows that lengthier pullbacks have been accompanied by negative news such as high inflation or weak economic data pointing to a possible recession.

Technology stocks led the markets last week led by outsized gains in Software and Semiconductor stocks amid strong earnings and analyst upgrades among select stocks.

Economically sensitive sectors were the next best performers as Materials, Consumer Discretionary and Industrial stocks each outperformed the S&P 500. This broadening out of the markets beyond already strong Tech areas is quite positive, as more participation improves the possibility of a longer term, more sustainable rally.

Healthcare stocks were sparked later in the week after comments at Goldman Sachs annual Healthcare conference spurred a rally. The gains pushed the Medical Devices group back into an uptrend while Biotech stocks turned positive as well. We'll discuss this further as well as adding stocks from this sector to our Suggested Holdings List this week.

Consumer Staples stocks are moving closer to reversing their downtrends as well. This is great news for the

markets as it signals even further expansion of participation. We have several Staples names on our Watch List that we intend to add once they enter uptrends. These are hybrid Staples companies that have a consumer discretionary component to their revenues.

Last week's rally took place amid news that the Federal Reserve paused their rate hike campaign however, they anticipate 2 rate hikes by year end. The announcement helped reduce anxiousness among investors as a monetary policy path for the year was potentially mapped out.

Also positive were reports that inflation is slowing with May's Consumer Price Index (CPI) and Producer Price Index (PPI) falling.

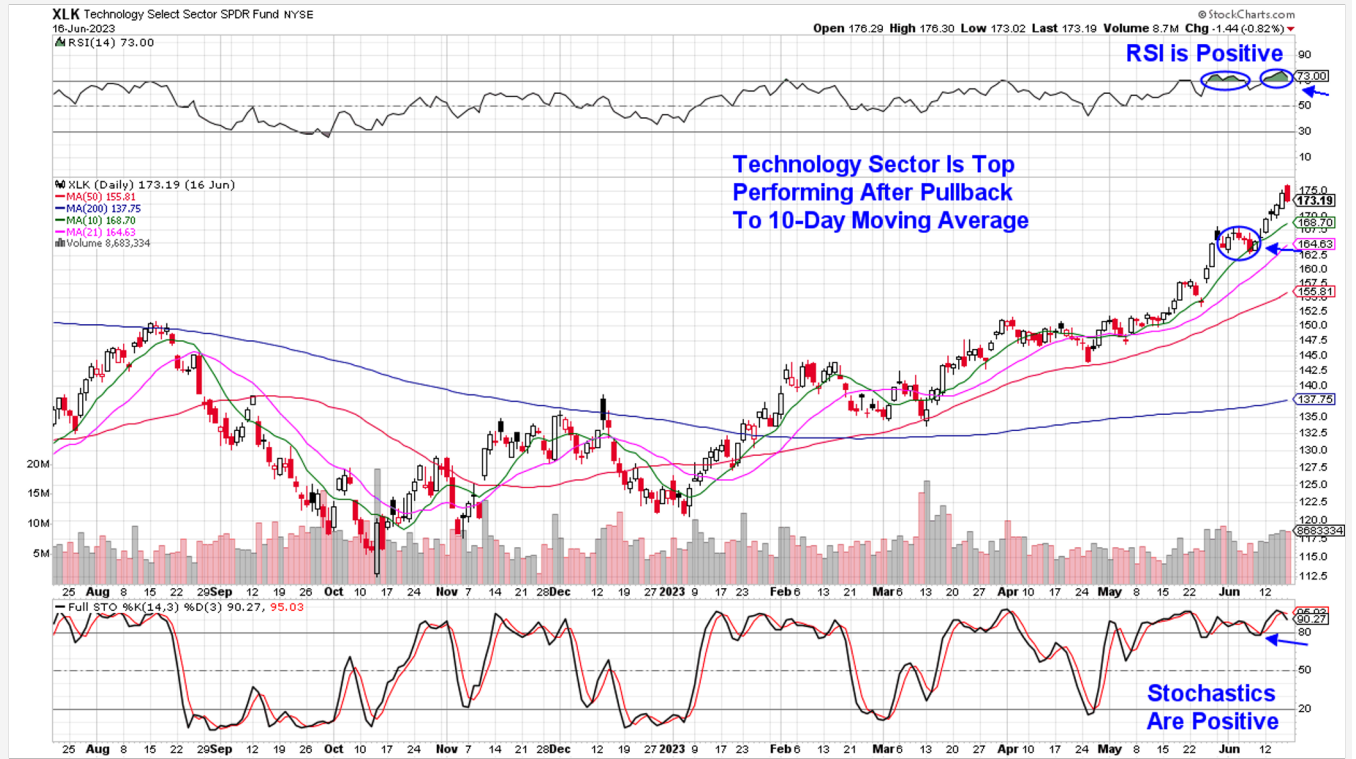
Next week, Fed Chair Powell will be speaking to the House for 2 days and any comments pointing to further rate hikes before next year will most likely give the markets pause. Comments regarding the status of the U.S. Banking system will also be closely watched, as talk of tighter lending conditions could bring back recession fears.

Any pullback in the broader markets will be closely watched as high volume would point to distribution and further declines and key moving averages will come into focus as they will be looked at to provide support.

Ideally, we're on the lookout for a low volume pause that would give moving averages an opportunity to catch up to the broader market Indices as well as the many Tech stocks that are extended above buy points.



## Daily Chart of the Technology Select Sector SPDR Fund (XLK)



### Technology Sector Continues To Lead Markets Higher

The Tech sector was the top performer for the week led by a sharp rally in Software and Semiconductor stocks.

Software stocks are the best positioned to be early beneficiaries of the adoption of AI primarily by embedding generative AI into their products. In turn, customers of this enhanced software will experience greater productivity with fewer staff.

This concept is something Microsoft has been discussing with their open AI which is a great partner to their cloud computing service Azure. Microsoft (**MSFT**) hit a new high in price after gaining almost 5% last week amid analyst upgrades. Friday's pullback in MSFT put the stock close to a buy point at the \$339 level which is at its 5-day moving average.

By the end of this year, it's anticipated that we'll see more software products in the market with embedded generative AI. Oracle (**ORCL**) announced on Tuesday that they'll be adding generative AI features across their software lineup while also unveiling their large language startup Cohere.

The news came a day after ORCL reported better than expected earnings along with sales that reached an all time high. The company is also reducing staff by 15% in the midst of all their growth. We're looking to add ORCL to our Suggested Holdings List on any pullback.

Recently added Intapp (**INTA**) started last week with a sharp rally which pushed the stock out of a 2-month base on heavy volume. The gain followed news that the company added access to a proprietary database which is expected to add value to investors and advisors who subscribe to INTA's DealCloud platform.

INTA traded sideways for the remainder of the week as it digested the early-week gain. The stock is in a strong buy zone as it finds support at its 5-day moving average.

Software stock Uber (**UBER**) also outperformed the markets with a rally on Thursday which followed news that the company will be ceasing operations in Israel and closing food delivery in Italy. Both areas were underperformers for the company. UBER is in a strong uptrend and can be bought on a pullback to its 5-day moving average at \$42.3 range.

Datadog (**DDOG**) was flat for the week amid a lack of news. The stock's sideways price action occurred on below average volume which is constructive however, we'd need to see the stock regain its 10-day moving average on volume before putting it into a buy zone status.

Semiconductor stocks continued their advance led by outperformance in heavyweight names Nvidia (**NVDA**)

and Broadcom (**AVGO**) which are the top 2 holdings in this ETF (**SOXX**).

Both stocks are leadership names in the move toward AI integration with NVDA's sale of GPU chips which provide AI processing power, having the most powerful and direct impact on revenue. AVGO's networking and switch chips are also AI related but the company will see less of an impact on sales.

NVDA's RSI is back in an overbought position which historically points to at least a pause or consolidation period. Should we see a pullback to the \$417 range at its 5-day moving average, we'd be a buyer. AVGO closed the week at its 5-day mav which has been an ideal buy point.

Not all Semiconductor stocks posted a gain last week with Axcelis (**ACLS**) from our List pulling back after hitting a new high in price on Tuesday. The selling took place on above average volume amid a Wall Street downgrade due to valuation concerns after the stock's recently sharp advance.

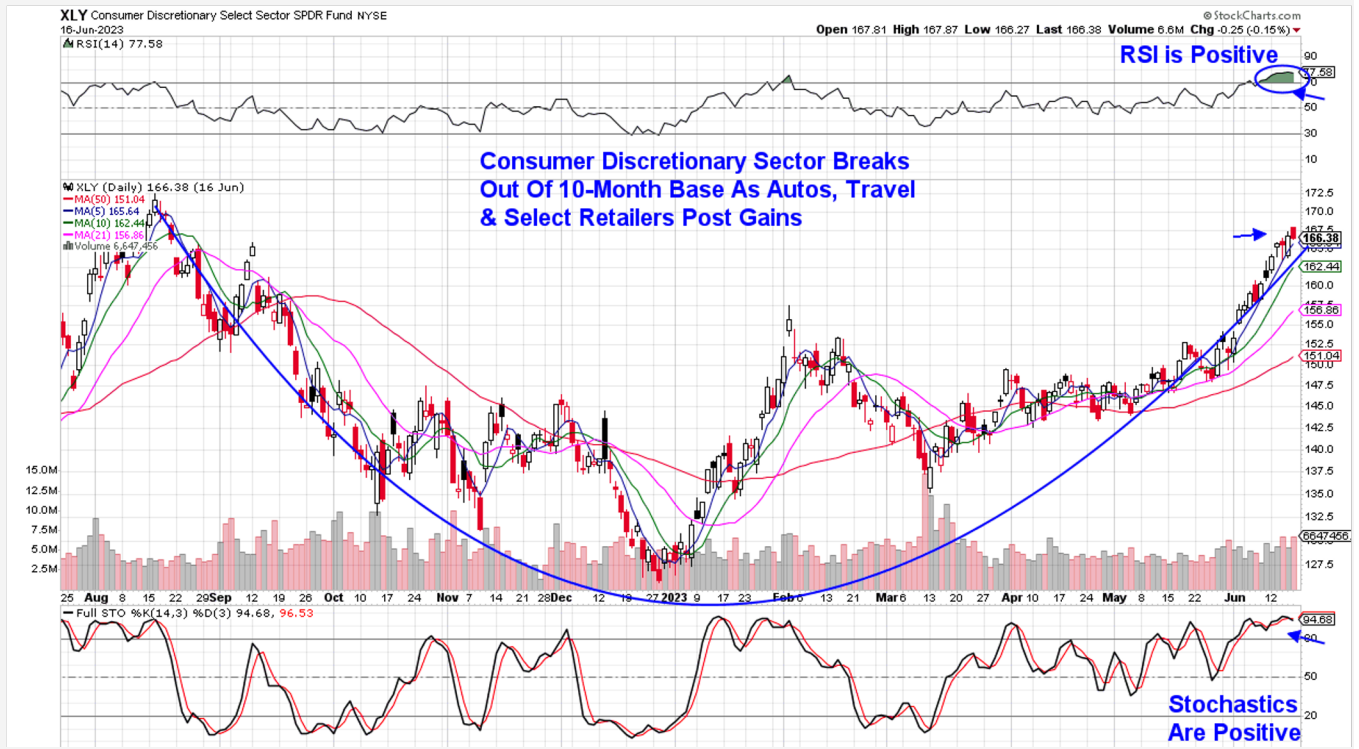
We would not be a buyer on this pullback as the MACD posted a negative crossover which typically precedes further consolidation. A move back above its 5-day mav at \$175 would put ACLS back into a buy zone.

Applied Micro Devices (**AMD**) posted more of a pullback for the week as the company's late entry into the AI space has the company not as well positioned to be favored by investors. The pullback has put the RSI closer to turning negative which would most likely have us removing the stock from our Buy List.

While we've highlighted stocks as being in a buy zone after finding support at their 5-day moving average, the Technology sector and in particular - the Semiconductor (**SOXX**) and Software (**IGV**) groups are both extended with an RSI in the overbought position. Historically, this precedes a pullback in which case, the 10-day moving average can be looked to as a buy point.



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



### Consumer Discretionary Sector Outperforms

Discretionary stocks continued to climb higher led last week by a sharp rally in Cruise stocks as well as select Electric Vehicle manufacturers. A rally in heavyweight names Nike (**NKE**) and Tesla (**TSLA**) also gave this sector a boost.

Tesla (**TSLA**)'s 6.5% rally keeps the stock in a strong uptrend as it finds support at its 5-day moving average. The sharp gains among other EV stocks occurred without any news or catalyst which had analysts citing short covering as a cause given that names that rose the most were those that are the most heavily shorted.

TSLA remains in a buy zone as the stock continues to advance following news of opening their charging stations to GM and Ford. Tesla is due to roll out their EV truck next quarter.

Housing stocks recovered from a midweek pullback which followed news that the Federal Reserve will be raising interest rates two more times before year-end. An overall rally in this group followed the release of earnings from housing stock Lennar's who reported better than expected earnings with the company guiding estimates higher for next quarter.

K B Homes (**KBH**) was among the top performers for the week with a 4.5% gain. The rally occurred as the company announced their newest community in Arizona while a Wall Street price target upgrade boosted the stock as well. KBH is in a buy zone as it

finds support at its upward trending 5-day moving average.

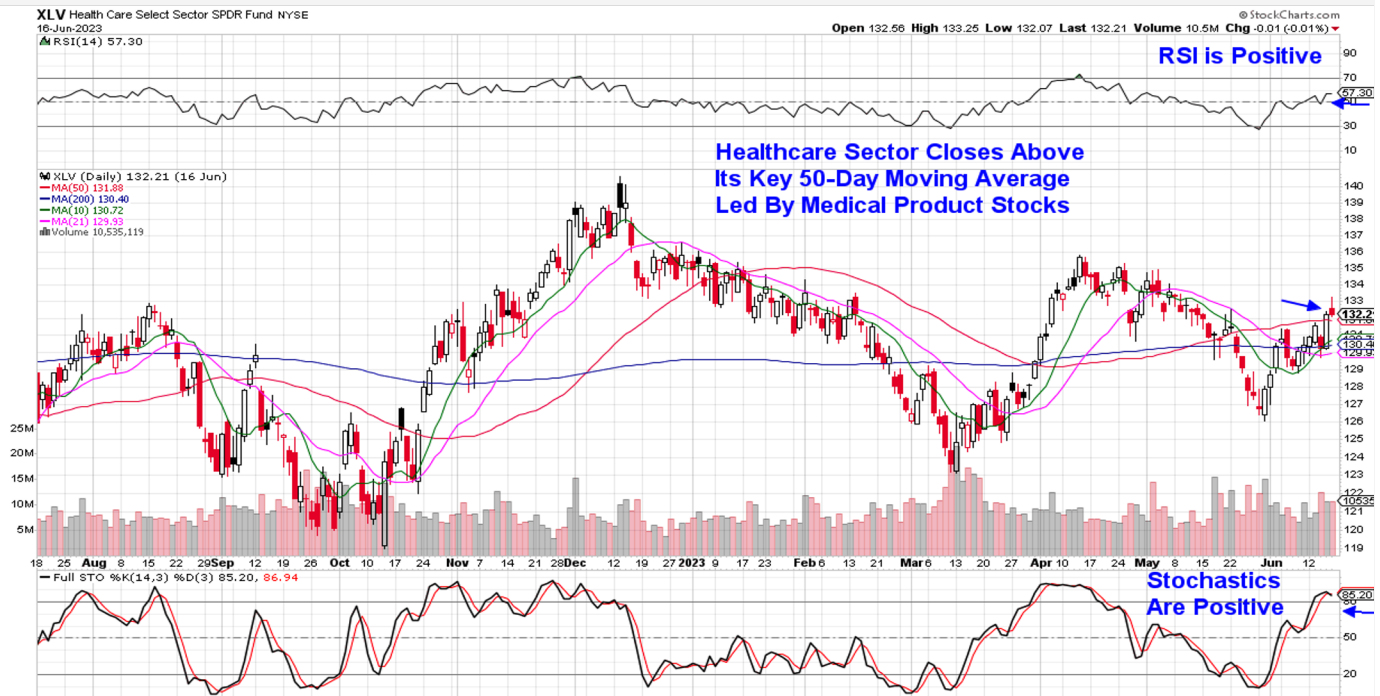
U.S. Retail Sales rose 3% in May while Consumer Sentiment rose to a 4 month high. The news shows that the consumer remains resilient despite inflation levels that are slowing, but remain sticky.

Retail stocks had a mostly tepid response with Skechers (**SKX**) from our List pulling back almost 4% in a move that pushed the stock down to its 50-day moving average with the RSI now in negative territory. Given the weak technical price action, we're removing the stock from our List and would be a seller on any rally.

Rival footwear company Deckers (**DECK**) is better positioned to trade higher given its confirmed uptrend that has the stock finding support at its upward trending 5-day moving average. The company is home to Ugg boots but its real growth is from their athletic footwear company Hoka which has posted 3 consecutive quarters of accelerating earnings.

Analysts are raising earnings estimates for DECK going into next year, as the \$1B Hoka brand just announced their first global campaign last week. DECK broke out of a 5-week base last week and is in a buy zone. The stock can be bought on any pullback to the \$505 level at its 5-day moving average.

## Daily Chart of the Healthcare Sector (XLV)



### Healthcare Sector

The Healthcare sector closed the week just above its 50-day moving average after a late-week rally in Medical Products stocks helped push the sector higher. (using ETF IHI)

The gains followed comments from insurance giant UnitedHealth (**UNH**) who warned that patients are spending more on medical procedures as non-urgent surgeries that were delayed by the pandemic have picked up. Humana insurance cited similar activity, stating that inpatient demand has been strong in recent weeks.

In response, many companies that provide medical products and therapies rallied with the group reversing its downtrend on above average volume.

Intuitive Surgical (**ISRG**) gained 5.5% for the week in a move that pushed the stock out of a 1-month base on heavy volume. In addition to benefiting from increased surgical demand, ISRG has AI components that optimize their robotic surgical devices to improve outcomes.

The MACD on the daily chart of ISRG posted a bullish crossover (black line up through the red) which indicates a new uptrend and the stock can be bought in the \$322 range at its 5-day moving average.

Medical Products company Boston Scientific (**BSX**) gapped up into a 1-month base breakout on above

average volume. The provider of cardiovascular and other devices is extended above its 5-day moving average and can be bought on a pullback to the \$53 range.

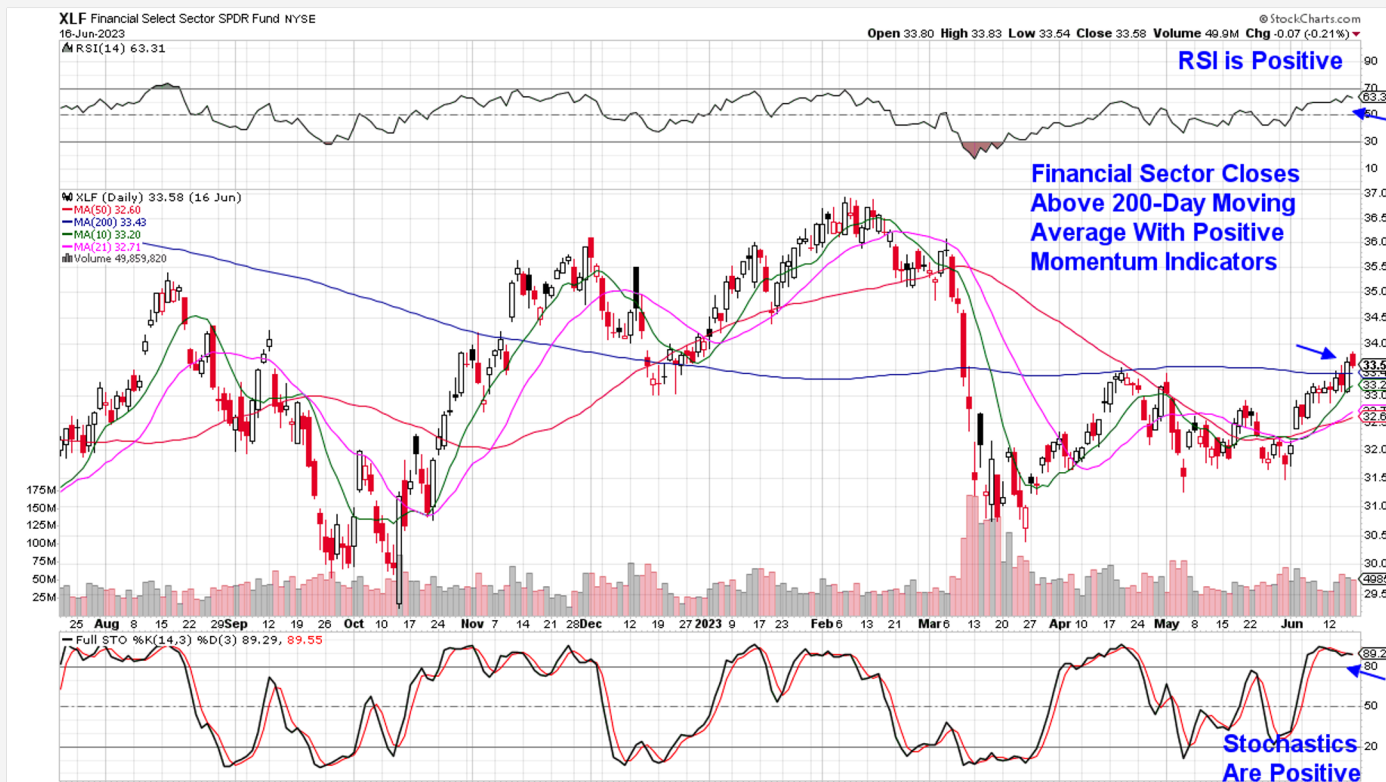
The MACD on BSX has just entered into positive territory indicating that a new uptrend is in place. We're adding the stock to our Suggested Holdings List.

Vertex (**VRTX**) gained 4% for the week on the heels of news from a European medical conference that their sickle cell treatment which uses gene editing with Crispr Therapeutics, has helped 90% of patients with the disease.

Last week's rally pushed VRTX into an uptrend after closing above each of its moving averages. With the MACD just entering positive territory, VRTX is in a strong buy zone and the stock can be bought on a pullback to the \$344 range at its 5-day moving average.

Biogen (**BIIB**) from our List was unable to regain its 50-day moving average despite Wall Street upgrades following news of an FDA Advisory board's approval of their Alzheimer's drug. The pullback in BIIB occurred on above average volume and we're removing the stock from our List.

## Daily Chart of the Financial Select Sector SPDR Fund (XLF)



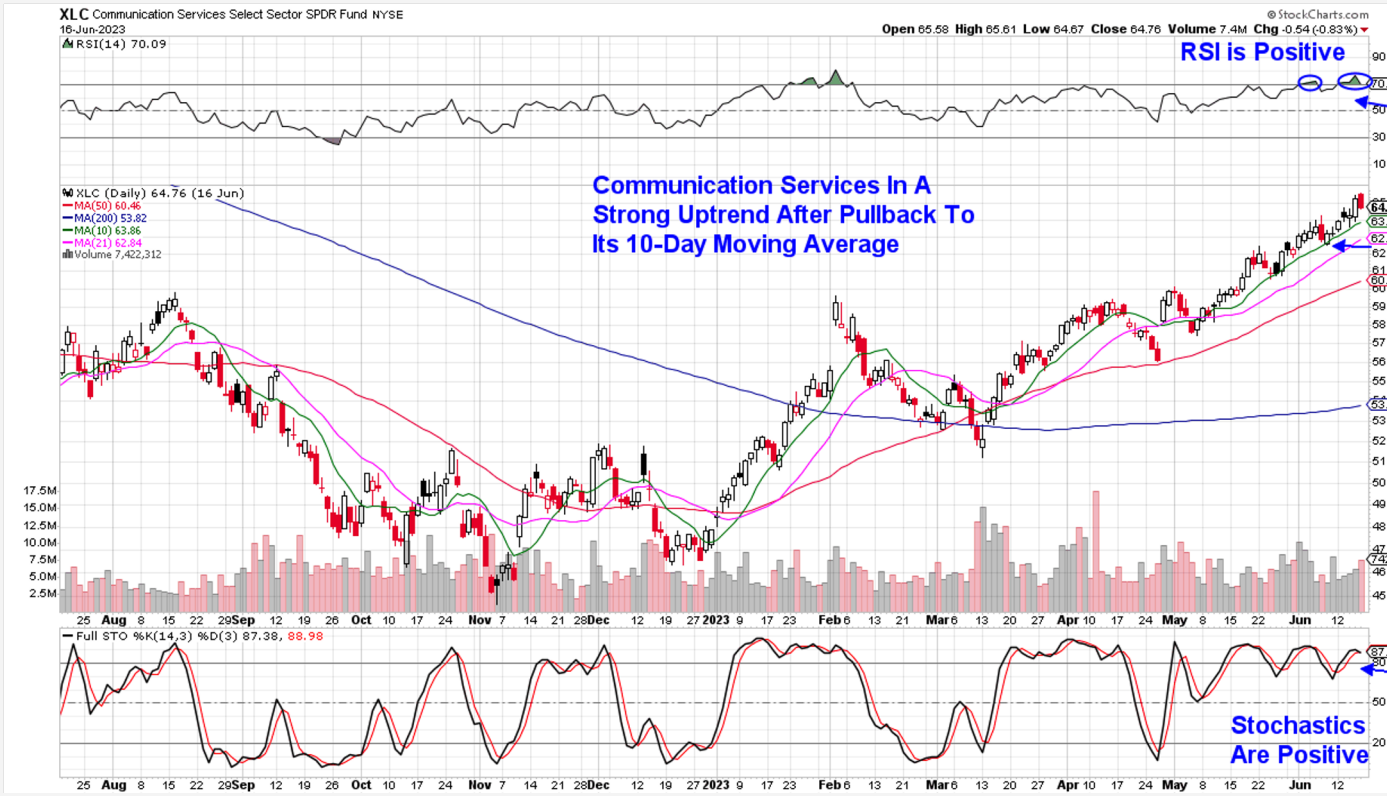
### Financial Sector Turns Positive Despite Underperformance

Financial stocks underperformed for the week led by a 1% drop in Bank stocks (using ETF KRE). The decline occurred amid lower growth guidance from banks that are citing higher costs to keep deposits due to a rise in short term interest rates. Tighter lending conditions due to the March banking crisis are also crippling management's outlook for their current (2nd) quarter

stock above its shorter term moving averages with the RSI and MACD in positive territory. CMA has a relatively low P/E of 5 times trailing 4 quarters as well as a 6.7% yield however, we would not overweight the stock given the generally weak outlook for the group's 2nd quarter prospects.

Comerica (**CMA**) from our List is maintaining its uptrend with a 1% rally for the week that keeps the

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



### Communication Services Sector Lags But Remains In Uptrend

Alphabet (**GOOGL**) traded in a tight trading range for the week in a consolidation phase that has the stock setting up for a move higher. The stock gained 1% for the week amid a lack of impactful news.

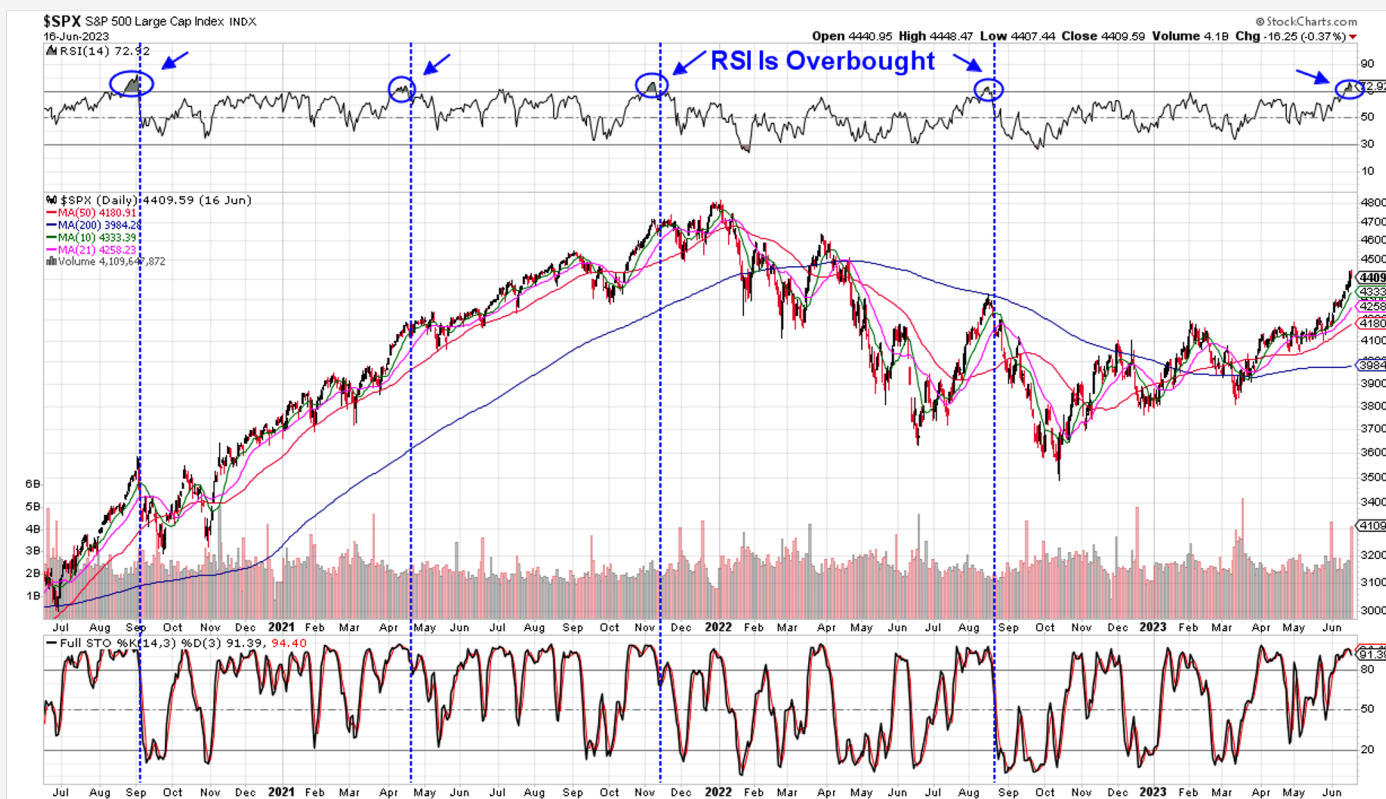
Alphabet remains a favorite among analysts focused on AI-related companies as they own their large language model while also producing their own chips. In addition, GOOGL has a more attractive valuation

relative to its mega cap peers as it is trading at 27 times this year's earnings while names such as Microsoft (**MSFT**) are at 37 times.

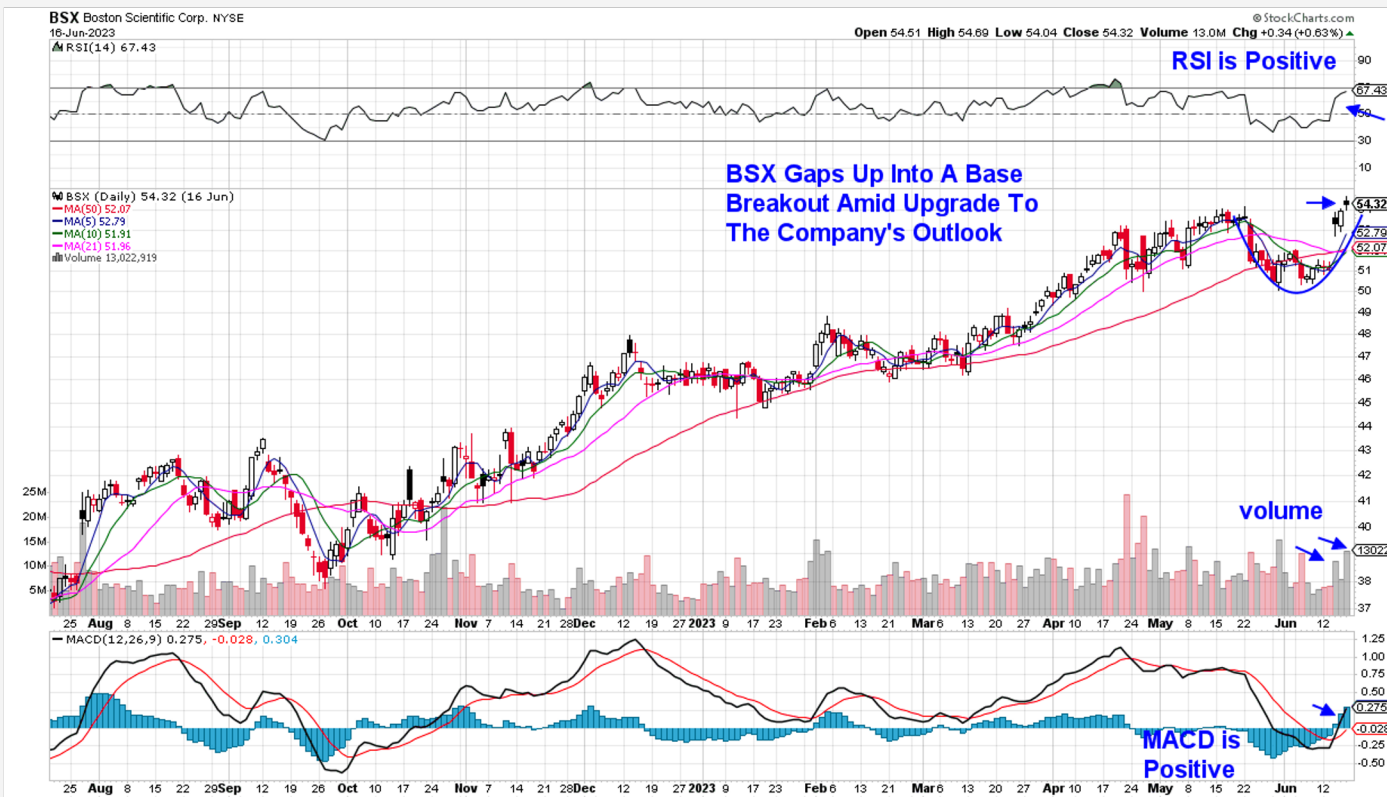
Alphabet is layering AI into their ChatGPT service Bard as well as its advertising and cloud offerings which has analysts raising their earnings estimates for 2023 and 2024. The stock is in a buy zone.

Near term, buying should be focused on newer areas such as Healthcare which regained its uptrend amid reports of increased patient procedures.

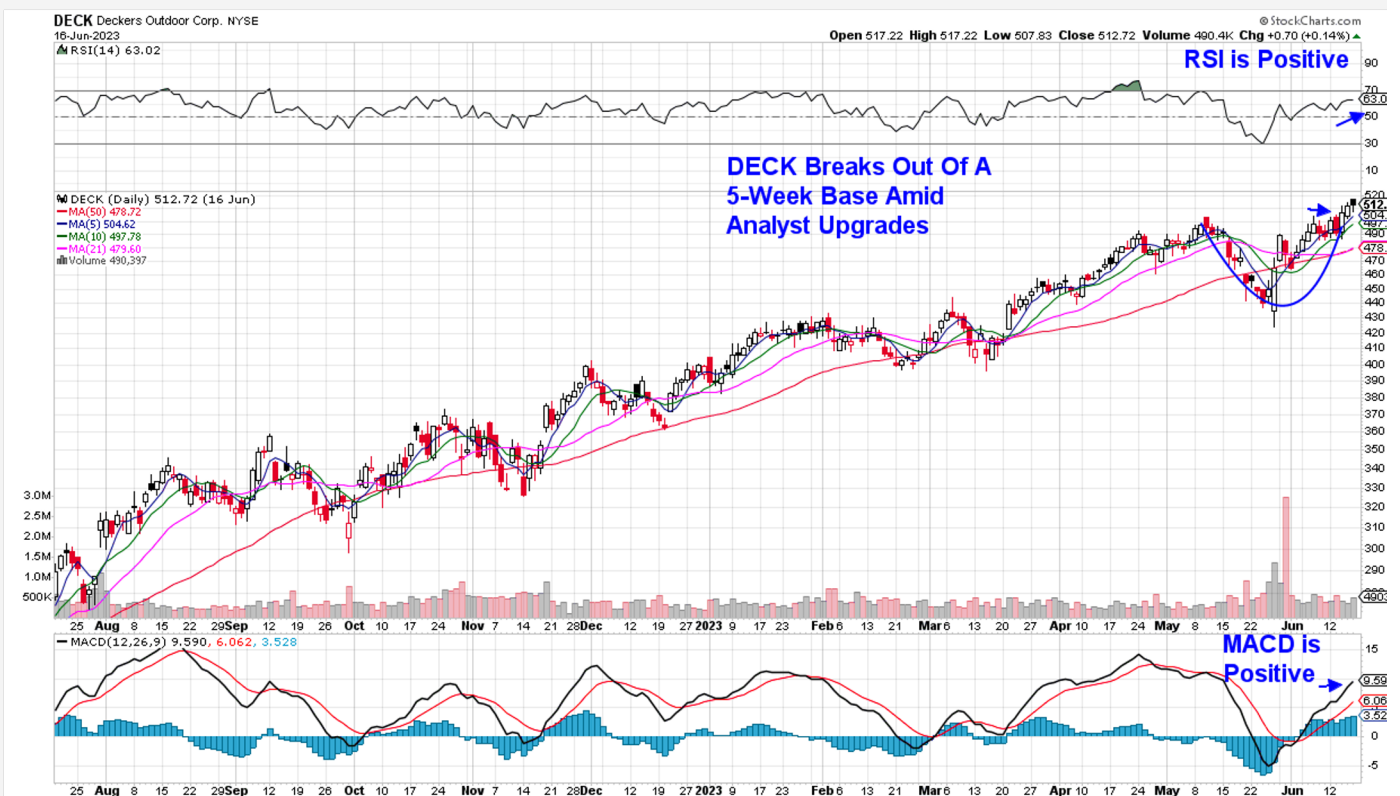
Despite some near term cautiousness regarding high flying Technology shares, the overall trend in the markets is bullish. We'll alert you to any shift in sentiment.



## Daily Chart of Boston Scientific Corp. (BSX)



## Daily Chart of Deckers Outdoor Corp. (DECK)



# MEM Edge Report Suggested Holdings

*Stocks With Emerging Leadership Characteristics*

\$ = Earnings Due		Buy Zone		Strong Buy		Buy on Pullback		Removed From List	
-------------------	--	----------	--	------------	--	-----------------	--	-------------------	--

SYMB	COMPANY	PRICE	DATE ADDED	PERFORMANCE	EARNINGS DUE DATE	INDUSTRY GROUP
------	---------	-------	------------	-------------	-------------------	----------------

CONSUMER DISCRETIONARY						
DECK	Deckers Outdoors	\$512.70	6/19/23		Aug 25	Retail - Shoes
KBH	K B Home	\$41.70	4/23/23	19.0%	Sept 20	Residential Builder
SKX	Sketchers USA.	\$52.20	6/7/23	-0.5%		
TSLA	Tsla	\$214.00	6/4/23	20.0%	July 19	Auto Manufacturer

COMMUNICATION SERVICES						
GOOGL	Alphabet	\$108.80	4/16/23	1.0%	July 24	Internet Content

FINANCIAL						
CMA	Comercia	\$43.80	6/7/23	1.0%	July 30	Banks - Regional

HEALTHCARE						
BSX	Boston Scientific	\$54.30	6/19/23		July 26	Medical Products
BIIB	Biogen	\$318.00	5/7/23	8.5%	July 25	Medical Biotech
ISRG	Intuitive Surgical	\$300.22	4/23/23	8.0%	July 18	Medical Equipment
VRTX	Vertex Pharmaceuticals	\$333.80	6/4/23	4.0%	Aug 1	Medical - Biomed

TECHNOLOGY						
AAPL	Apple	\$106.30	3/26/23	16.0%		Telecom – Cons Products
ACLS	Axcelis Technologies	\$137.00	5/17/23	22.5%	Aug 4	Semiconductor
AMD	Advanced Micro Devices	\$127.00	5/29/23	-5.0%	Aug 3	Semiconductor
AVGO	Broadcom	\$657.50	5/17/23	30.0%	Aug 2	Semiconductor
DDOG	Datadog	\$81.80	5/10/23	11.0%	Aug 4	Software
INTA	Intapp Inc.	\$44.00	6/11/23	9.0%	Aug 8	Software
MSFT	Microsoft	\$276.20	3/16/23	20.5%	July 25	Software
UBER	Uber Technologies	\$437.80	5/7/23	15.0%	Aug 2	Software
NVDA	Nvidia Corp	\$178.40	1/22/23	93.5%	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.

**Disclaimer:** This publication "MEM Edge Report" is published by MEM Investment Research, LLC, and is both proprietary and intended for the sole use of subscribers. No license is granted to any subscriber, except for the subscriber's personal use. No part of this publication or its contents may be copied, downloaded, stored in a retrieval system, further transmitted, or otherwise reproduced, stored, disseminated, transferred, or used, in any form or by any means, except as permitted under the subscription agreement or with the prior written permission of MEM Investment Research, LLC. Any further disclosure or use, distribution, dissemination or copying of this publication, message or any attachment is strictly prohibited. MEM Investment Research, LLC is a financial publisher who publishes information about markets, stocks, industries, sectors and investments in which it believes subscribers may be interested. The information in this letter is not intended to be personalized recommendations to buy, hold or sell investments. MEM Investment Research, LLC is not permitted to offer personalized trading or investment advice to subscribers. Employees of MEM Investment Research, LLC may own positions in stocks mentioned or highlighted in THE MEM Edge Report. The information, statements, views and opinions included in this publication are based on sources (both internal and external sources) considered to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. Such information, statements, views and opinions are expressed as of the date of publication, are subject to change without further notice and do not constitute a solicitation for the purchase or sale of any investment referenced in this publication. By using the information in THE MEM Edge Report, or from MEM Investment Research, LLC, or [www.meminvestmentresearch.com](http://www.meminvestmentresearch.com), you assume full responsibility for any and all gains and losses, financial, emotional or otherwise, experienced, suffered or incurred by you. SUBSCRIBERS SHOULD VERIFY ALL CLAIMS AND DO THEIR OWN RESEARCH BEFORE INVESTING IN ANY INVESTMENTS REFERENCED IN THIS PUBLICATION. INVESTING IN SECURITIES AND OTHER INVESTMENTS, SUCH AS STOCKS, OPTIONS AND FUTURES, IS SPECULATIVE AND CARRIES A HIGH DEGREE OF RISK. SUBSCRIBERS MAY LOSE MONEY TRADING AND INVESTING IN SUCH INVESTMENTS.