



THE MEM EDGE

Midweek Report

Wednesday June 21, 2023

- Fed Chair Powell Warns Of More Interest Rate Hikes
- Homebuilder Confidence Climbs While Housing Starts Jump
- Powell Continues Testimony tomorrow
- Weekly Employment Report Tomorrow and Flash Services & Manufacturing PMI On Friday
- Removing Advanced Micro Devices (AMD) and Datadog (DDOG) From Suggested Holdings List

DAILY CHART OF S&P 500 INDEX



The S&P 500 has lost 1% over the past two days in a pullback that puts this Index close to its 10-day moving average. The move has pushed the RSI and Stochastics out of an overbought position with both momentum indicators remaining in positive territory.



THE MEM EDGE

Midweek Report

At this time, the next area of possible support is the 10-day moving average which is 0.3% away and should we close below there, 4300 is the next possible level of support which is 1.5% away.

The 4200 level is another recent key area and would be the next area of possible support which is 3.9% away.

A close below 4300 may be a slight psychological blow to investors as this recently surpassed area of upside resistance would return to its position of being a possible roadblock to the markets efforts to retain a longer term uptrend. However, if we remain above 4200, the uptrend in the S&P 500 would remain in place.

The Nasdaq fell further with a 1.4% decline that puts this Index at its 10-day moving average which is acting as support. The next area of possible support is the 13200 level which is 2.3% away. A close below this level would be quite negative as the next area of possible support would be the 50-day moving average which is 7.1% away.

While selling is taking place this week, the uptrend in the broader markets remains in place with Technology getting hit the hardest while Healthcare, Industrials and Consumer Cyclical are holding in with losses that are less than the markets.

Selling this week accelerated following comments from Fed Chair Powell that more interest rate increases are likely going forward as inflation is well above where it should be. In addition, Powell cited that getting inflation back down to 2% has a long way to go.



THE MEM EDGE

Midweek Report

The comments negatively impacted Growth stocks such as Semiconductor and Software stocks the most, as higher interest rates reduce the value of future earnings. In addition, these groups were overbought after outperforming the markets over the past month and were due at least a pause.

Software (IGV) and Semiconductor stocks (SOXX) were among the hardest hit with most of the losses taking place today after Powell's comments, and selling occurred on above average volume.

Software stocks are finding support at their 10-day moving average while Semiconductors closed below this mav with the 21-day

Among stocks on our list, Advanced Micro (**AMD**) was the hardest hit with a 5.7% decline today that pushed the RSI into negative territory on above average volume. As cited in our Sunday report, we'll be removing the stock from our Suggested Holdings List if this occurred.

Datadog (**DDOG**) was holding support until selling today pushed the stock below its 21-day moving average with the RSI now in negative territory. This is another stock which we highlighted as not being healthy in our Sunday report and today's price action has us removing the stock from our Suggested Holdings List.

Not all Semi and Software stocks are down with Nvidia (**NVDA**) closing above its 5-day moving average after posting a 1% gain for the week. The stock remains in a positive position and can be held. Broadcom (**AVGO**) has pulled back to its 10-day moving



average on below average volume and the stock can also be held.

At this time, we're not advocating buying on the pullback until we see a move of the Semiconductor group back above its 10-day moving average. (SOXX)

Price action in Semiconductor stocks this week will provide clues into where the leadership resides as names such as Intel (INTC), Advanced Micro (AMD) and Qualcomm (QCOM) are seeing above average selling pressure while names such as Lam Research (LRCX) and Taiwan Semi (TSM) are holding in better.

Select Software stocks are holding in despite selling in the group, with Intapp (**INTA**) finding support at its 10-day moving average with a 1% gain. The stock is forming a high tight flag formation from which a breakout may occur. The stock can be held. Uber (**UBER**) is also remains in a positive position as it finds support at its 10-day moving average and the stock can be held.

Among Consumer Cyclical stocks, Tesla (**TSLA**) experienced a pullback today after a Wall Street downgrade. The stock is in a very overbought position and shorter term traders may want to take some profits given the high volume on today's selling. Longer term however, **TSLA**'s chart remains constructive with the MACD just entering positive territory on the weekly chart.

Housing stocks are seeing gains this week amid reports of homebuilder confidence as well as a jump in housing starts. This resilience amid the possibility of higher interest rates is notable with stocks such as K B Homes (**KBH**) gaining 2.5% ahead of the release of their earnings after the close today.



THE MEM EDGE

Midweek Report

KBH announced revenues ahead of estimates with management guiding estimates higher going forward amid strong housing demand. The stock is in a strong uptrend as it finds support above its 5-day moving average and **KBH** is in a buy zone.

Healthcare stocks are the top performing so far this week with a 0.5% loss. Among stocks on our List, Boston Scientific (**BSX**) is in the most attractive position as it closed today above its 5-day moving average and is in a buy zone.

Intuitive Surgical (**ISRG**) and Vertex (**VRTX**) are both pulling back a bit more but remain above their key 10-day moving averages with buyers coming in on today's dip which is quite positive. Both stocks are in a buy zone.

Alphabet (**GOOGL**) has lost its luster after today's 2.1% decline pushed the stock below its 21-day moving average which had been acting as support. The next area of possible support is its late May low of \$120. We would not be a buyer until the stock regains its 21 day mav.

Tomorrow, Fed Chair Powell will continue his testimony and comments will again be closely monitored. Weekly employment data tomorrow and Flash PMI reports on Friday will also be reported.

Warmly,
Mary Ellen McGonagle
Editor, MEM Edge Report