



THE MEM EDGE

June 25, 2023 / Weekly Report

This Week's Highlights

- Fed Chair Powell Warns Of More Interest Rate Hikes
- Homebuilder Confidence Climbs While Housing Starts Jump
- Bank Of England and Norway Raise Interest Rates by ½%
- Weekly Jobless Claims Increase
- U.S. Business Activity Remains Robust With U.S. Economy Running At 2%
- Durable Goods Orders, Core Personal Consumption Data (CPI) For May Due Next Week

Daily Chart of S&P 500



The S&P 500 fell 1.4% for the week in a move that pushed the RSI out of an overbought position while remaining in positive territory. The Stochastics are also in positive territory which keeps the near term uptrend in place.

The S&P 500 closed the week below its 10-day moving average with the next area of possible support being the 4300 level which is 1.1% away. A move below this former area of upside resistance may give the markets pause, however, remaining above the 4200 level is most

important to keeping the uptrend in the markets in place. At this time, the 4200 level is 3.5% away.

The Nasdaq declined 1.4% as well, as underperformance in Technology stocks was offset by outperformance in most of the mega-cap FAANG names. The Nasdaq's RSI moved lower and out of an overbought position while remaining positive. as are the Stochastics. The uptrend in this Index remains in place.

Should the Nasdaq pull back further, the next area of possible support is the 13200 level which is 2.2% away with the next area of possible support being the 50-day moving average, which is 6.5% away.

At this time, the markets remain in an uptrend with last week's pullback helping to remove overbought conditions. Next week's price action will provide further clues regarding the market's condition with key areas of potential support being identified.

Last week's decline in the markets occurred amid signs of further rate hikes from the Federal Reserve following remarks from Fed Chair Powell stating that nearly all policy makers agree that it would be appropriate to raise rates somewhat further by year-end.

The prospect of higher interest rates hurt Technology stocks the most as these growth companies would be most negatively impacted. Recently strong Semiconductor and Software stocks were hit the hardest which we'll review below.

News on Thursday that the Bank of England as well as Norway's central bank both accelerated their pace of

rate hikes due to inflation levels that are not dropping. The surprise ½% rate hike from both banks was due to reports of a rise in inflation level and it had U.S. investors worried that a similar scenario could take place there as well.

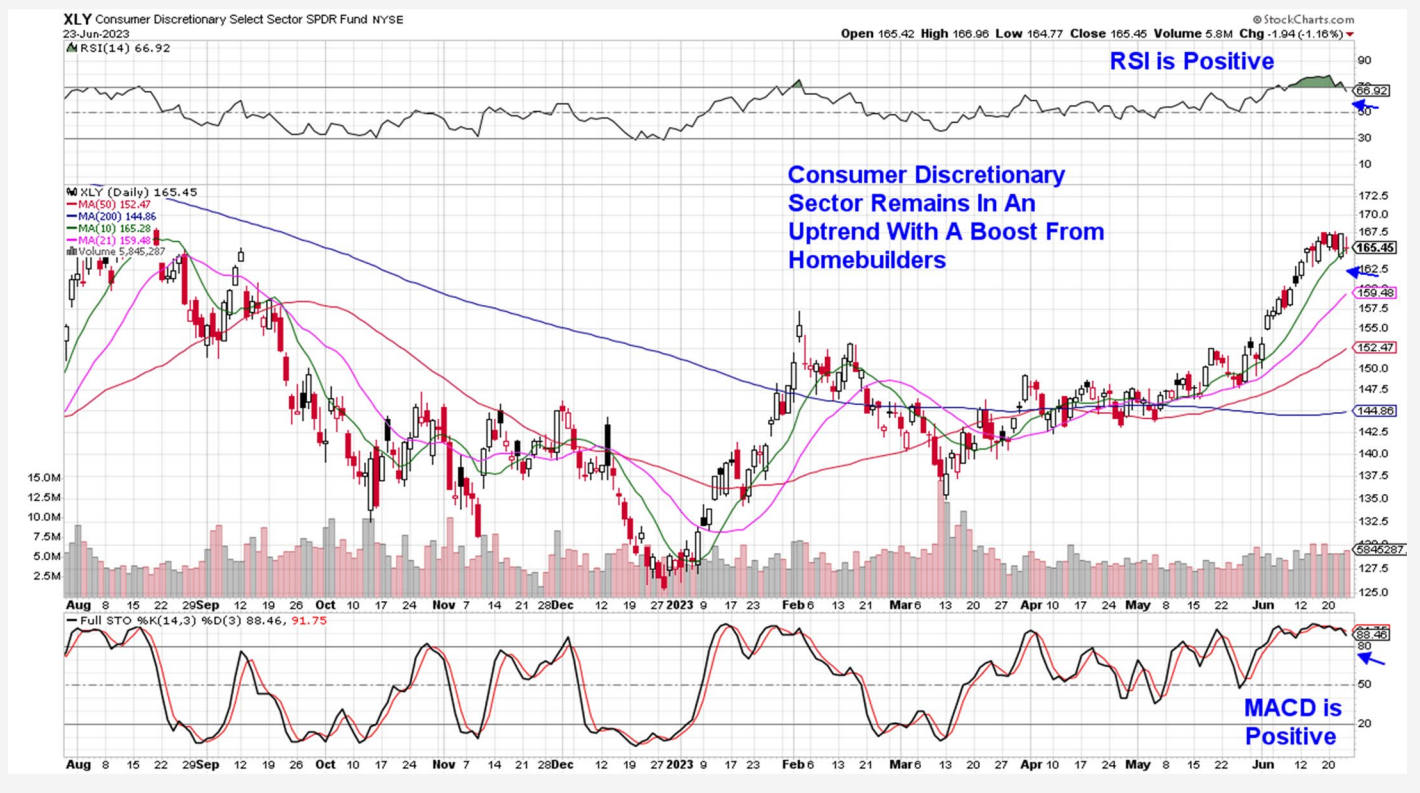
The news brought back fears of a global recession which in turn pushed Cyclical areas such as Basic Materials and Industrial stocks lower, with companies that provide services and products overseas coming under the most pressure.

Other factors were at play in last week's pullback as well however, with the broader market Indices posting overbought conditions after five weeks of gains. Most stretched were Technology stocks which were the top performers and were led by Semiconductor and Software stocks.

While the broader markets pulled back last week, they exhibited surprising resiliency in the face of renewed global recession fears and the possibility of higher interest rates. Next week that resiliency may be put to the test with Core PCE data due to be released on Friday. This inflation gauge is closely watched by the Federal Reserve.



Consumer Discretionary Select Sector SPDR Fund (XLY)



Consumer Discretionary Sector Outperforms

The Consumer Discretionary sector pulled back less than the markets led by gains in Home Construction stocks. The sector had been in a very overbought position at the start of last week, due to gains in Auto, Housing and Cruise stocks over the past several weeks.

Last week, home builders turned bullish for the 1st time in nearly a year due to strong housing demand. According to realtors, the number of new home listings has dropped 22% since last year due to a rise in mortgage rates that has homeowners hanging onto their homes.

In addition, housing starts surged in May as builders increased construction. KB Home (KBH) from our List remains in a confirmed uptrend as it finds support at its upward trending 5-day moving average. The stock is in a buy zone.

This week, we're adding Meritage Homes (MTH) to our Suggested Holdings List after last week's flat base breakout which took place on above average volume. The company focuses on first time home buyers who are not locked into their current homes due to having a low mortgage rate. MTH is in a buy zone and can be bought in the \$134 range at its 5-day moving average.

Footwear stock Deckers (DECK) pulled back modestly with a Friday rally that put the stock back above its 10-

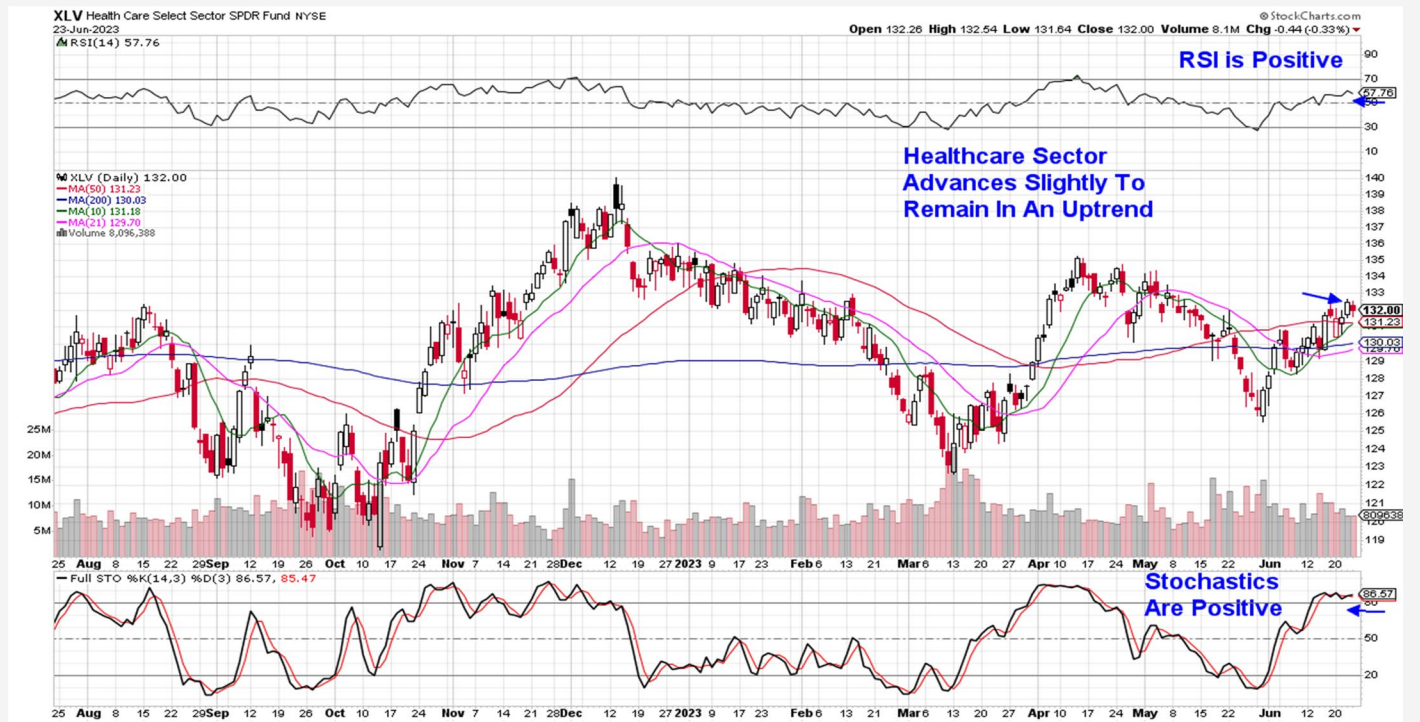
day moving average and into a strong buy zone. The company's Hoka sneaker brand has surpassed the \$1 billion mark in revenues as it continues to expand growth overseas.

Tesla (TSLA) ended the week on a strong note with a close above its 10-day moving average which keeps the near term uptrend in place. Near term, we're keeping an eye on the MACD which is poised for a negative crossover (black line down through the red). This can signal either a pullback or a period of consolidation - both of which are warranted given the sharp rise in the stock since late May.

The weekly chart of TSLA is more constructive as the MACD has just entered positive territory. This bodes well for the longer term outlook for this stock. Tesla is in a buy zone as it finds support above its upward trending 10-dmav however the stock may hit the pause button near term. A close below its 10-day mav would put the next area of possible support at its 21-dmav which is 10.7% away. Next week's price action will of course provide more insight.

Next week, two high profile Consumer stocks will be reporting key earnings reports which may impact this sector. Carnival (CCL) will release data on Monday followed by Nike (NKE) on Thursday.

Health Care Select Sector SPDR Fund (XLV)



Healthcare Sector Is Top Performing

Healthcare stocks held in the best last week amid a rally in Managed Care stocks that had gotten beaten up the prior week due to reports of increased elective surgery post Covid.

Medical Products stocks remained vibrant with each of the stocks in this group that are on our List pulling back less than the markets. As you may recall, these stocks benefited from news of increased spending on medical procedures with many names reversing their downtrends.

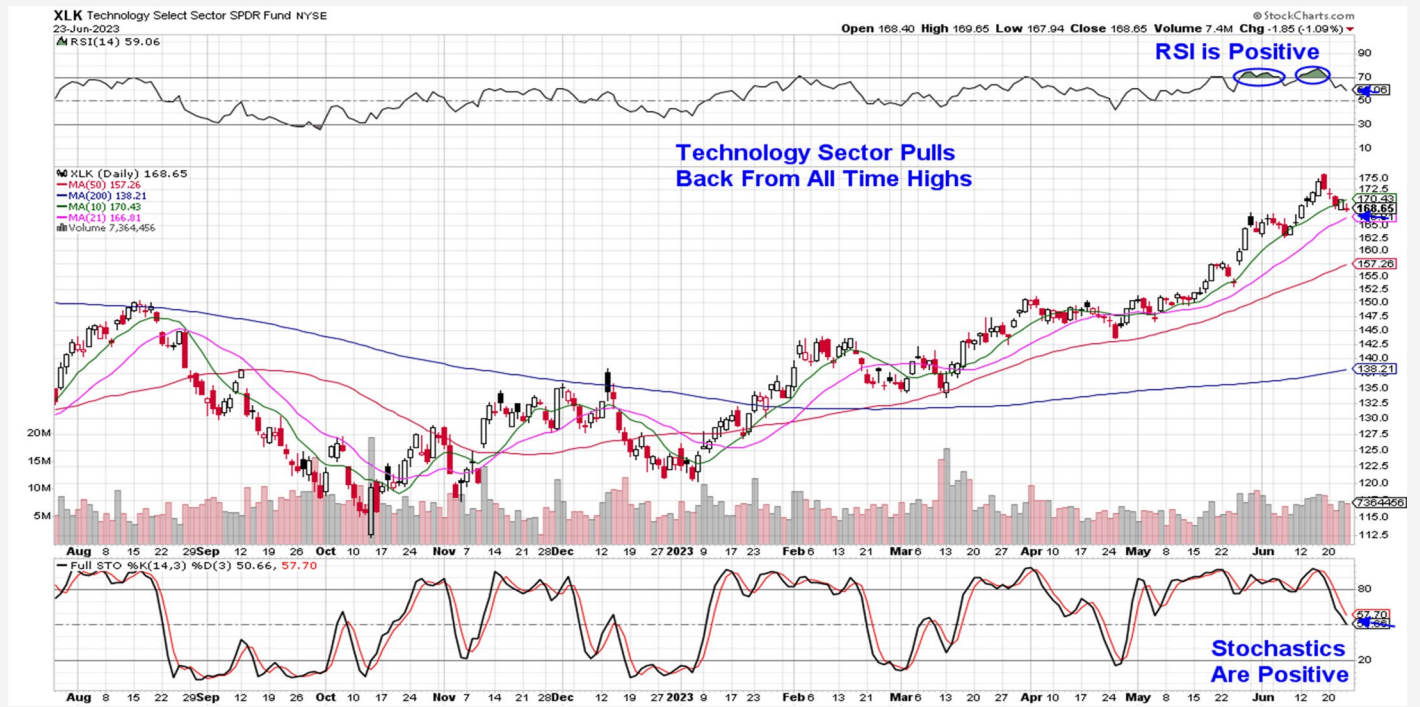
Boston Scientific (**BSX**) is a prime example with the stock posting a 1-month base breakout after gapping up in price the prior week. The company reported earnings that were well above estimates in late April with management guiding estimates higher for the

remainder of the year due to expansion into emerging markets. The stock is in a strong buy zone as it finds support above its 5-day moving average.

Intuitive Surgical (**ISRG**) remains in an uptrend as the stock finds support above its 10-day moving average. The developer of robotic surgical systems receives a bulk of their recurring revenue from the sale of instruments and accessories and any uptick in surgical procedures will improve growth. ISRG is in a buy zone.

Vertex (**VRTX**) closed the week above its 5-day moving average and in a buy zone. The company announced positive results from their ongoing treatment study for Type 1 Diabetes. The company is using engrafted islet cells that produce insulin and the curative treatment will be a game changer in the treatment of diabetes.

Technology Select Sector SPDR Fund (XLK)



Technology Sector Among Weaker Areas

Tech stocks were hurt by a sharp pullback in Semiconductor and Software stocks which fell 4.5% and 3.1% respectively. The decline occurred amid fears of increased interest rates as higher rates are a negative for these Growth stocks.

Overbought conditions in these recently strong areas was another reason for the pullback as high flying stocks such as AI Software provider C3.ai (AI) getting hit the hardest with a 23% decline.

Each of the Software stocks on our List fared better than the group with Uber Technologies (UBER) down less than ½% in a move that keeps the stock in a strong uptrend after a close above its upward trending 5-day moving average. UBER received a price target upgrade on Friday to \$70 as the company continues to make strategic moves that are improving their growth prospects.

Intapp (INTA) pulled back a bit more despite analyst upgrades. The provider of cloud based and AI powered software for the financial services business closed the week just below its 10-day moving average. A close above this moving average would put the stock into a buy zone.

Microsoft (MSFT) pulled back to its 21-day moving average on below average volume. The 2% decline occurred amid mixed news as their potential Activision acquisition begins hearings next week. In other news, the company raised prices for the popular Xbox gaming console which is expected to improve revenues. A

move back above its 10-day moving average would put the stock into a buy zone.

The Software group appears poised for a further pullback after a negative MACD crossover and selling on above average volume. (using ETF IGV). We'll continue to monitor the dynamics closely into next week.

Semiconductor stocks also experienced a negative MACD crossover with a decline that has the group now below its 21-day moving average. The RSI closed the week at 54 after dropping from an overbought position and a move below 50 would be quite negative. On a positive note, last week's pullback occurred on below average volume.

Nvidia (NVDA) held in remarkably well with a 1% pullback that occurred as the stock moved in a tight trading range. On Thursday, NVDA's CEO said that the chipmaker is likely to invest more in Europe as they see it as a path to further growth.

NVDA remains in a position to trade higher however, price action in the Semiconductor group is expected to eventually impact the stock so it will be important to remain aware of SOXX's position.

Axcelis (ACLS) fared even better for the week with a ½% pullback that puts the stock at its 21-day moving average. The company provides equipment that is essential in the production of chips needed for AI adoption.

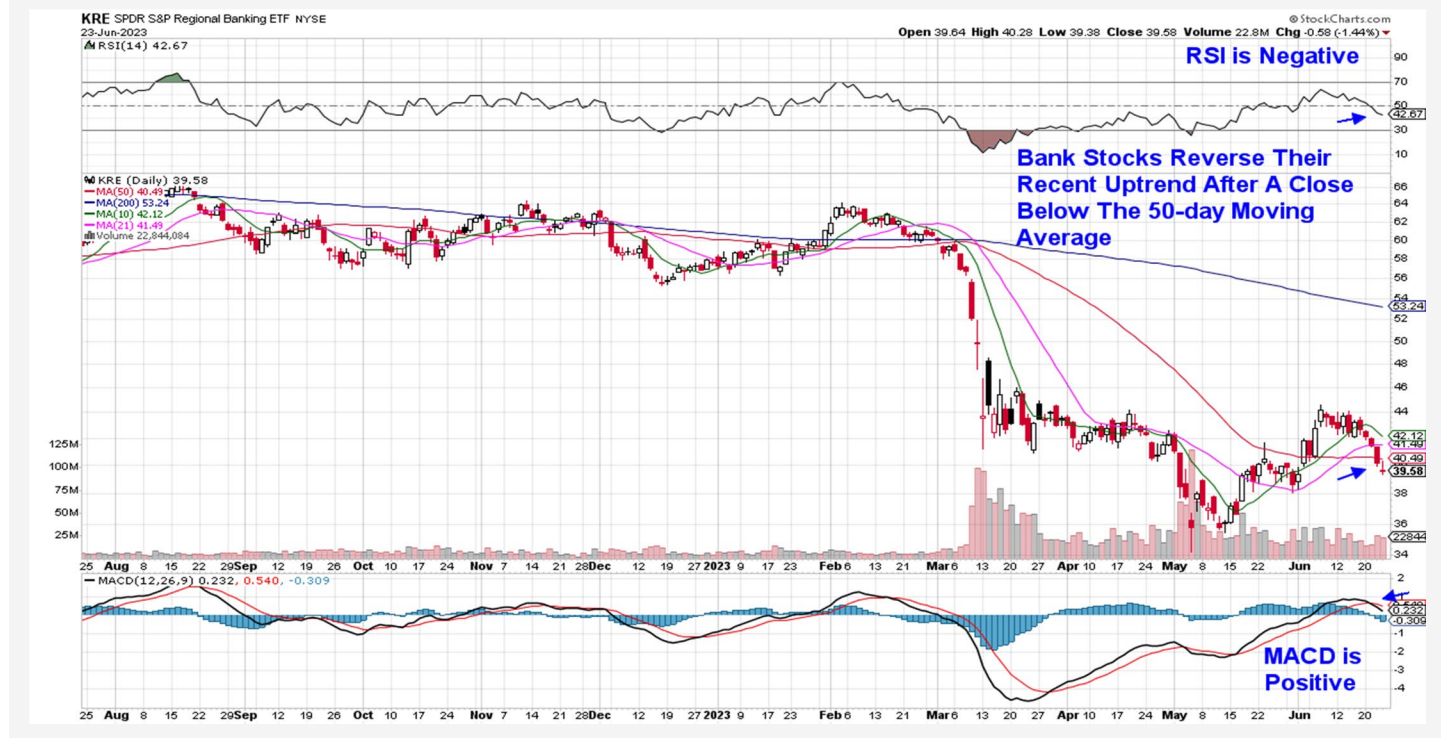
ACLS's resilience last week amid losses elsewhere in the group sets it up to perform well once Semiconductors resume their uptrend. The stock can be held.

Apple (AAPL) posted a 1% gain for the week amid news that the company will be launching Apple Card in India. AAPL remains in a confirmed uptrend as it finds

support above its upward trending 5-day moving average. The stock is in a buy zone as it trends higher.

Last week's pullback in the Technology sector was not unexpected given its recent run up to new highs. At this time, the 21-day moving average is the next area of possible support and a close below this mav coupled with a negative RSI would signal further near term downside.

SPDR S&P Regional Banking ETF (KRE)



Bank Stocks Reverse Their Uptrend

Bank stocks were among the weakest performers last week led by sharp losses in many Small bank names. These stocks are the most vulnerable to recession fears as lending activity would be reduced. The group fell below its 50-day moving average on volume with the RSI entering into negative territory.

While Comerica (CMA) fell less than the group and remains above its 50-day moving average with a positive RSI, we're removing the stock from our List due to the negative price action in the group.

Summary

Last week's pullback occurred amid Fed Chair Powell's suggestion that the Fed has much more work to do before inflation gets to their targeted 2% level. The comments give even more importance to next Friday's Core PCE data which is the Federal Reserve's preferred gauge for inflation.

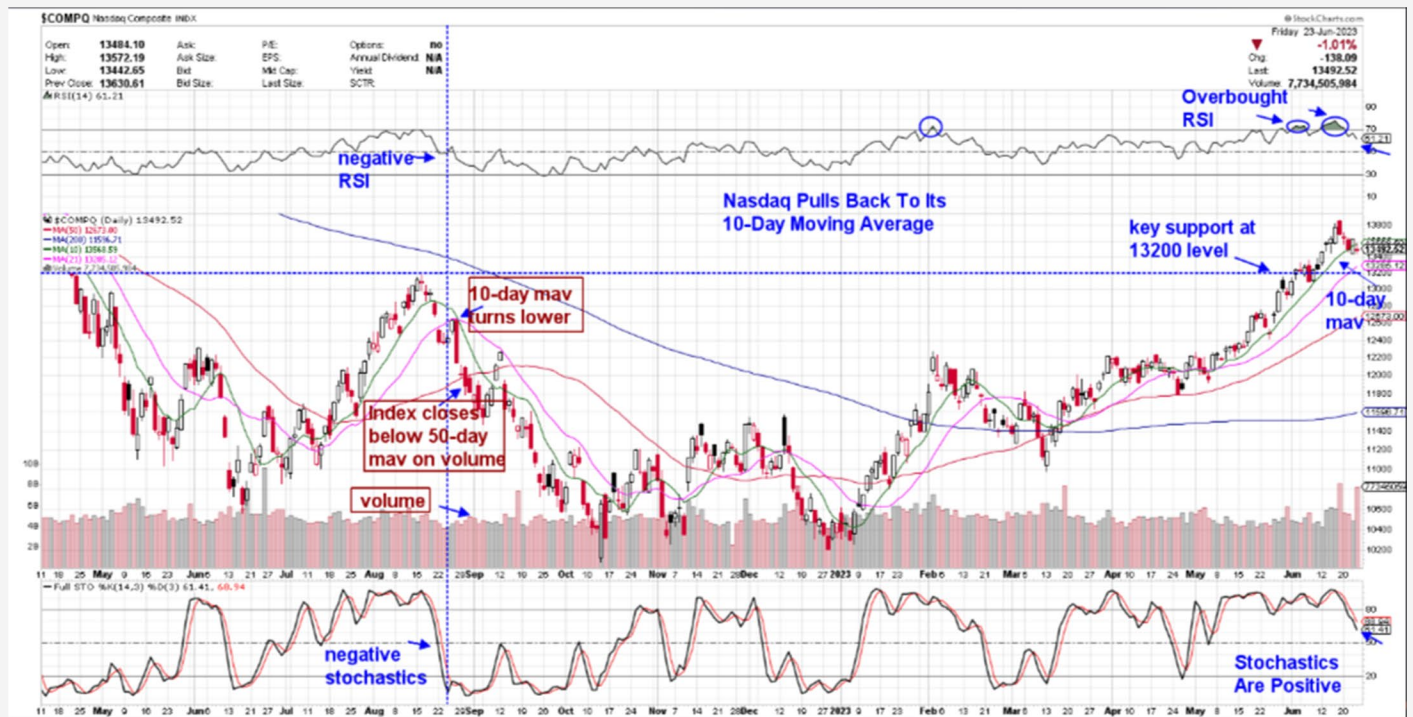
Profit taking following the market's recently strong advance was also a factor as areas such as Technology were stretched amid an AI fueled rally that pushed select stocks in this area into overbought conditions.

Below is a chart of the Nasdaq which has gained almost 17% since March. Gains this month pushed the RSI into an overbought position with an early June period of consolidation being enough to appease the markets. The more recent overbought condition has brought a pullback into play, with heavy volume on 2 of this week's down days which indicates distribution.

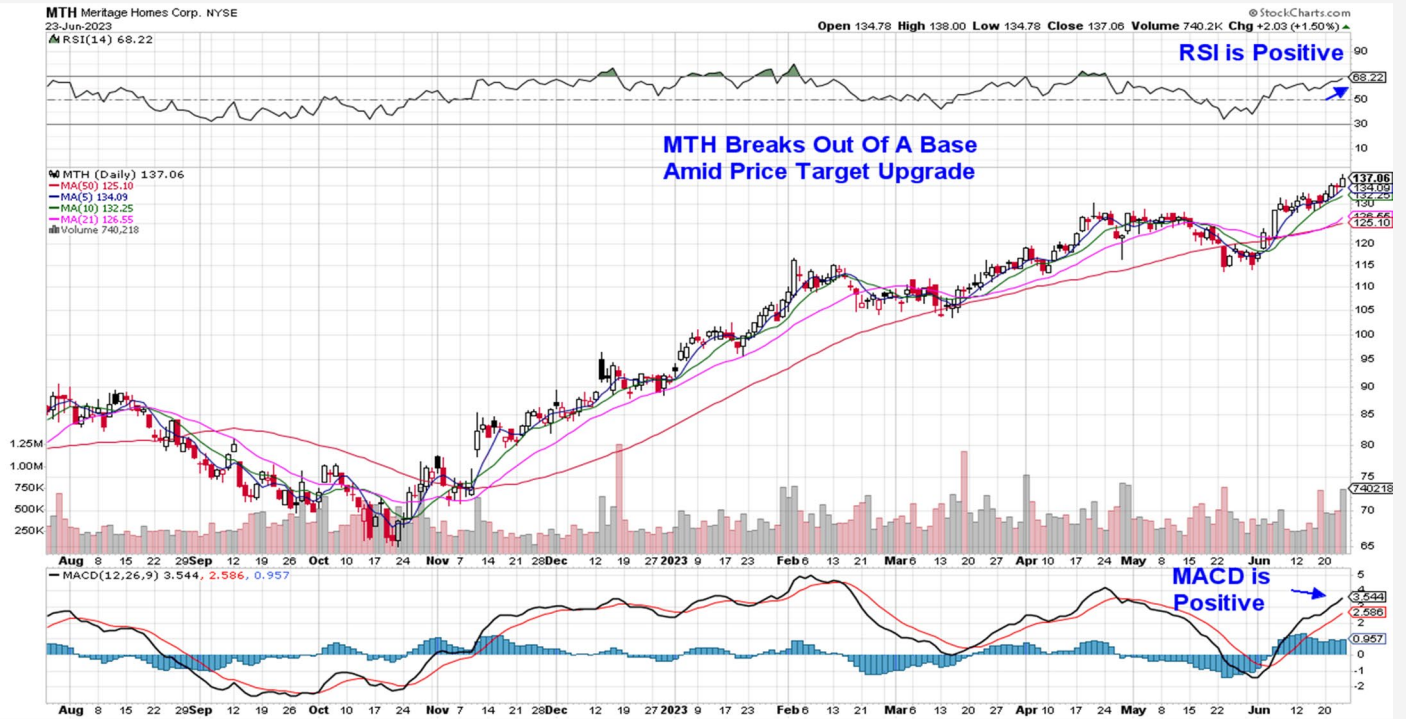
At this juncture, each of the moving averages remain in an uptrend with the markets exhibiting surprising resiliency in the face of renewed global recession fears.

I've highlighted the characteristics of this Index prior to last year's late August into October decline which resulted in a loss of over 20%. While I'm not anticipating a decline of this magnitude, it's important to be aware of what to be on the lookout for to signal more than just a 5% pullback.

Chart of NASDAQ Composite (\$COMPQ)



Daily Chart of Meritage Homes Corp. (MTH)



The
MEMEdge
WEEKLY REPORT

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	6/19/2023	-1.0%	-	Retail - Shoes
KBH	K B Home	\$41.70	4/23/2023	21.5%	-	Residential Builder
MTH	Meritage Homes	\$137.06	6/25/2023		-	Residential Builder
TSLA	Tesla	\$214.00	6/4/2023	18.5%	-	Auto Manufacturer

COMMUNICATION SERVICES

GOOGL	Alphabet	\$108.80	4/16/2023	14.0%	-	Internet Content
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FINANCIALS

CMA	Comerica	\$43.80	6/7/2023	1.0%	-	Banks - Regional
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HEALTHCARE

BSX	Boston Scientific	\$54.30	6/19/2023	-0.5%	-	Medical Products
ISRG	Intuitive Surgical	\$300.22	4/23/2023	7.5%	-	Medical Equipment
VRTX	Vertex Pharmaceuticals	\$333.80	6/4/2023	4.0%	Aug 1	Medical - Biomed

TECHNOLOGY

AAPL	Apple	\$160.30	3/26/2023	17.0%		Telecom-Cons Products
ACLS	Axcelis Technologies	\$137.00	5/17/2023	22.0%	Aug 4	Semiconductor
AVGO	Broadcom	\$657.50	5/17/2023	25.0%	Aug 2	Semiconductor
INTA	Intapp Inc.	\$44.00	6/11/2023	7.0%	Aug 8	Software
MSFT	Microsoft	\$276.20	3/16/2023	18.5%	-	Software
UBER	Uber Technologies	\$437.80	5/7/2023	14.5%	Aug 2	Software
NVDA	Nvidia Corp	\$178.40	1/22/2023	92.5%	-	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.

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